Austria Sch22	Indonesia Rp3100	Portugal Esc100
Bahrain Din0.650	Israel NS3.50	S.Arabia Rls6.00
Belgium BFr48	Italy L1600	Singapore .... S$4.10
Canada ...... C$1.00	Japan Y600	Spain Pta125
Cyprus ...... C£0.75	Jordan Fils500	Sri Lanka Rup30
Denmark DKr9.00	Kuwait Fils500	Sweden SKr8.00
Egypt .... E£2.25	Lebanon ... SL125.00	Switzerland. SFr2.20
Finland Fmk7.00	Luxembourg .. LFr48	Taiwan .... NT$85
France FFr6.50	Malaysia Rm4.25	Thailand Bht50
Germany DM2.20	Mexico Pes300	Tunisia Din0.800
Greece Dr100	Morocco Dh6.00	Turkey L500
Hong Kong.... HK$12	Netherlands.. Fl3.00	UAE Dh6.50
India Rup15	Norway Nkr8.00	USA $1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,331 — Tuesday September 8 1987 — D 8523 A

Yugoslavia: financial scandal strains the economy, Page 20

World News

S African prisoners exchanged at Maputo

South Africa traded 133 Angolan prisoners, plus a Frenchman and a Dutch fugitive, for a commando officer captured two years ago in Angola, in a complex exchange at Maputo airport, Mozambique, last night.

Major Wynand du Toit was escorted onto the tarmac by Mr Pik Botha, the South African Foreign Minister, who masterminded negotiations that led to his release.

Belgian police battle with jail rioters

Belgian police battled through thick smoke to quell a Brussels jail riot late last night after hundreds of prisoners rampaged over plans to put 26 extradited British soccer fans in better conditions.

Gulf truce

A fragile truce appeared to be being observed in the Gulf as Iran, Iraq and Baghdad's Arab allies mounted fresh diplomatic initiatives ahead of a United Nations peace mission. Page 3

Ozal tactical victory

Turkish Prime Minister Turgut Ozal scored a major tactical victory, though the opposition was scraping home in the weekend's referendum. Page 2

British union reform

Britain's labour movement voted for efforts to promote a more modern image in an effort to boost declining membership. Page 16

Indians shot dead

Seven people were killed when police opened fire on religious rioters in West Bengal, the Press Trust of India reported.

Offer to Sri Lanka

India offered Sri Lanka $35m for postwar reconstruction.

Pretoria bar

Jay Naidoo, leader of South Africa's biggest black trade union federation, Cosatu, was barred from leaving to visit Australia, Cosatu said.

Moscow frees Jews

A group of Jews who had been waiting to leave the Soviet Union for many years, were told they would be given exit visas soon, dissident Iosif Begun said.

Jesse Jackson to run

Black activist Jesse Jackson said he would run for the US Democratic Party's 1988 presidential nomination.

Chile expels leftist

President Augusto Pinochet's regime expelled former Socialist Senator Erich Schnake, who had re-entered Chile from exile.

Castro church meeting

Cuban President Fidel Castro met Emilio Castro, secretary general of the World Council of Churches, in Havana.

Lima Lloyds bomb

Leftwing guerrillas bombed the Lima offices of Lloyds bank subsidiary Bank of London and South America, causing damage but no personal injuries.

Nigerian weekly back

Nigeria's leading weekly, Newswatch, returned in defiant mood from a five-month ban by the military government.

Ethiopia grain appeal

Ethiopia appealed for 950,000 tonnes of grain to offset the effects of its recent drought.

Pacific earthquake

An earthquake measured at 6.5 on the Richter scale hit the Kermadec Islands in the South Pacific, but there were no immediate reports of casualties.

Moscow AIDS alert

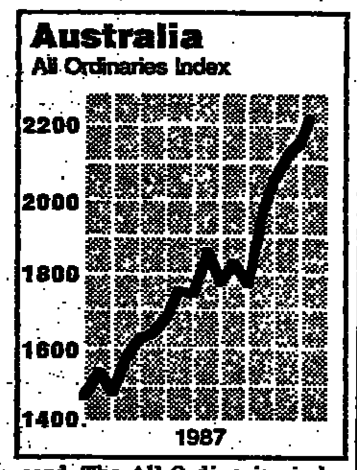
Soviet authorities delivered AIDS pamphlets to Western embassies before new measures to test foreigners for the disease came into effect.

Business Summary

UK bank's shares rise in takeover speculation

MIDLAND BANK, one of the main UK clearing banks, saw its share price rise again on continued speculation of an imminent takeover approach. Dealings were boosted by the placing of the 17.5m shares of the recent £700m ($1.15bn) rights issue made by the bank to replenish its reserves. Page 20

SYDNEY saw a solid advance among banks lifting share prices to a third successive record. The All Ordinaries index gained 15.6 to 2,210.5 despite Friday's decline on Wall Street and lower prices in Tokyo. Page 42



GOLD fell $1.50 on the London bullion market to close at $463.75. In Zurich it rose to $463.85 ($463.25). Page 33

DOLLAR fell in London to close at DM1.7920 (DM1.7950); to SFr1.4850 (SFr1.4870); to FFr5.9950 (FFr6.0075); but rose to Y141.75 (Y141.70). On Bank of England figures the dollar's exchange rate index fell 0.1 to 100.2. Page 33

STERLING rose in London to $1.6600 ($1.6540); to DM2.9750 (DM2.9725); to SFr2.4650 (SFr2.46); to FFr9.9525 (FFr9.9375); and Y235.25 (Y234.50). Pound's exchange rate index closed at 147.3. Page 33

WALL STREET was closed for the Labor Day holiday.

LONDON: Selective buying propelled share prices to close at their best levels although trading was dampened by the US holiday. The FT-SE index gained 8.7 to 2,283.6 with the largest rise occurring in the last hour of trading. The FT Ordinary index was 6.4 higher at 1,788.5. Page 38

TOKYO was unsettled by interest rate exchange rate concern. The Nikkei market average dropped 351.26 to close at 25,004.09 and volume fell to 379m shares. Page 42

BRENT WALKER, UK leisure and property development company group, has bought the 370,000 sq ft Trocadero retail and leisure complex in London's Piccadilly Circus for £90m ($148.5m). Page 21

LANDIS & GYR, Swiss electrical engineering concern, has offered Marks Control, of Skokie, Illinois, $132.5m for its subsidiary, Powers, a company involved in heating, ventilation, air-conditioning equipment and building management, with annual sales of $180m.

TNT, one of the world's largest transport groups, has reported record revenues and profits for the year to June, due mainly to strong trading performances in Europe and the US. After-tax operating profit rose 68.1 per cent from A$49.2m (US$35.6m) to A$82.7m. Page 22

BORAL, Australian building products company, has announced a A$277m (US$220.7m) rights issue coinciding with the declaration of its 17th successive annual profit increase. Proceeds of the one-for-10 issue at A$5 a share will fund expansion at home and abroad. Page 22

SEKISUI HOUSE, Japan's largest home builder, achieved strong earning performance in half year to July 1987 with its interim profits advanced by 47.8 per cent from a year earlier to Y15.23bn ($2.16bn). Unexpectedly large earnings were attributed to brisk sales of apartment houses and condominiums. Page 22

Kohl appeals to Honecker to stop border shootings

MR HELMUT KOHL, the West German Chancellor, last night called on Mr Erich Honecker, the East German leader, to build "peace in Germany" by ending guards' orders to shoot people fleeing across the border, writes **David Marsh in Bonn**.

Mr Kohl's reminder that the German people were "suffering from separation" came at a dinner on the first day of a historic visit by the East German leader designed to improve relations between the two countries.

Mr Honecker, the first head of the Communist East German state to visit the western part of the divided nation, in turn put his Bonn hosts on the defensive by suggesting joint disarmament initiatives which could potentially weaken West Germany's links to Nato.

The countries' respective front-line positions in Nato and the Warsaw Pact, was reflected when both leaders voiced satisfaction at the prospect of a speedy US-Soviet accord on removing medium-range nuclear missiles from Europe.

Mr Honecker pointedly used an expression favoured by Mr Kohl in calling for "peace with ever less weapons". Replying to Mr Kohl's toast he said: "The German Democratic Republic wants nothing more urgently than peace."

But Mr Honecker suggested yesterday morning that the two countries agree an atomic weapon-free "corridor" in central Europe which would run counter to Nato doctrine. He also proposed joint disarmament discussions between the two Germanys at foreign minister level - an idea Bonn would clearly find unacceptable.

East German sovereignty has long been contested by the West Germans in spite of the two countries' official recognition of each other in 1972, but Mr Honecker has seen his international status boosted by yesterday's welcome with full military honours in Bonn.

Mr Kohl, sticking to the West German constitutional line now defended on the whole by conservatives, insisted that East and West Germany still made up a single nation awaiting reunification at some indeterminate future point.

But Mr Honecker's reception yesterday, including a much sought-after meeting with Mr Richard von Weizsaecker, the federal president, has increased the impression that Bonn has bowed to East Germany's wish to accept its credentials as a separate country.

Mr Kohl claimed last night that consciousness of German unity was "as alive as ever" although reunification was not on the agenda of world politics.

Mr Honecker, however, underlined firmly that the condition for constructive neighbourly policies was the existence of two independent, sovereign German states.

Mr Kohl's government is following a policy of offering the East Germans improved economic and technological links in exchange for easing of Communist restrictions on East German travel to the West.

Mr Honecker said that more East Germans than previously thought were coming across on temporary trips to West Germany.

West German Chancellor Helmut Kohl (left) greets East German leader Erich Honecker for the first time in West Germany at a welcoming ceremony yesterday.

Peronist election win may force Alfonsin to reshuffle cabinet

BY TIM COONE IN BUENOS AIRES

THE ARGENTINE Government of President Raul Alfonsin has suffered a heavy defeat in the mid-term elections held last Sunday.

A swing of more than 8 per cent of the vote to the opposition Peronists has resulted in the ruling Radical Party (UCR) losing control of the national congress and all but two of the 22 provincial governments in the country.

The Peronists, with close ties to the trade unions, campaigned for an increase in spending on social welfare and a moratorium in payments on the $54bn foreign debt.

Mr Federico Storani, a Radical Party Deputy, conceded his party's defeat was due to "the economic sensation of recent months, in particular to the rise in inflation." The cost of living rose at least 13 per cent in August and totals about 120 per cent for the last 12 months.

The Government's austere economic policy was the main target of the Peronists' election campaign, and it is widely expected that President Alfonsin will now be obliged to make sweeping cabinet changes and effect a significant shift in policy. The defeated Radical candidate for the Buenos Aires province, Mr Juan Casella, admitted early on Monday morning that the Peronist victory "will force changes in the Government's direction".

A number of ministers were expected to offer their resignations to the President during the course of yesterday, including Mr Juan Sourouille, the Economy Minister.

President Alfonsin: expected to make changes

"We are now the majority," said Mr Antonio Cafiero, a Peronist, the succesful candidate. "We have an obligation to respond by contributing to good government, which also means economic progress and social justice," said Mr Cafiero, who becomes one of the party's leading candidates for the 1989 presidential vote.

At a national level votes for the Radicals have dropped 6 percentage points to 37 per cent of the total since the last elections in 1985, while those of the Peronists, an essentially populist party with both right and left-wing extremes within it, have jumped almost 8 points to 42 per cent of the total.

A small conservative party, the UCD (Centre Democratic Union), has also made substantial gains in the capital and Buenos Aires province, as have other regional parties with strong local support in the provinces of Corrientes, Tucuman and Salta. Parties on the left have, however, fared badly, their proportion of the vote falling sharply.

At stake in the elections were the governorships of 19 of the 22 provinces in Argentina, half of the 254 seats in the chamber of deputies of the National Congress and almost 11,000 political posts at provincial and municipal level.

Not only has the UCR lost control of the National Congress (it had a thin majority of three seats), it has also lost the governorship of the key province of Buenos Aires to Mr Antonio Cafiero, the leader of the Peronist party.

It is generally held that whoever wins this province, where almost 40 per cent of Argentina's 30m population is concentrated, stands the greatest chance of winning the following presidential elections.

Only isolated incidents of violence were reported during the election campaign, which was the first time since the early 1960s the country has completed an electoral cycle, renewing governors and the House of Deputies, without intereference from the armed forces.

Background, Page 4

W German hostage released in Damascus

By Nora Boustany in Beirut and David Marsh in Bonn

MR ALFRED SCHMIDT, an engineer who was one of two West Germans seized by a pro-Iranian group in Beirut last January, was freed yesterday following complex negotiations and a possible deal between the governments in West Germany, Syria and Iran.

Mr Schmidt, aged 47 and a technician for the Siemens electronics group, was driven to Damascus where he was handed over to his embassy and was later due to fly back to West Germany aboard a Luftwaffe transport aircraft.

He appeared to be tired but in good health, although the Syrian authorities and West German diplomats in Damascus surrounded his arrival and departure with secrecy and limited his exchange with reporters to only a few words.

The release appears to result primarily from laborious Syrian diplomatic efforts and reflects what Iran and Syria see as a number of helpful moves by the West German Government.

It was not clear that the release of other hostages would follow, although Syria has said it is working hard for the release of Mr Schmidt's compatriot, Mr Rudolf Cordes, a manager for the Hoechst chemical group who was also kidnapped in January.

Both were seized in retaliation for the arrest of Lebanese hijacker Mohammed Ali Hamadei by West German police on January 13 on charges of carrying explosives.

Officials in Bonn welcomed Mr Schmidt's release as a vin-

Continued on Page 20

Ford takes over Aston Martin in prestige deal

BY KENNETH GOODING IN FRANKFURT

FORD, the world's second largest automotive group, is to take a substantial majority shareholding in Aston Martin Lagonda of the UK, one of the smallest but most famous companies in the car industry.

Full details of the deal have still to be worked out but Mr Kenneth Whipple, chairman of Ford of Europe, said last night: "We intend to maintain Aston Martin's character, its independence of outlook and seek to enhance the individual flair that has so distinguished its long history."

Aston Martin has been handbuilding cars since 1914 and in all that time has produced only 10,000. Ford makes more cars in one week at its UK factories alone.

Aston Martin is based in Newport Pagnell, north of London, where it employs 400 and currently produces five cars a week which are sold at prices between £65,000 and £87,500 ($107,000 - $144,000).

The UK company has had a chequered financial history but Ford insisted last night that there was no question of the deal being necessary to save Aston Martin from another financial collapse. Aston Martin has been profitable for the past two years.

The company's current model range includes the V8 saloon, V8 Volante, V8 Vantage and the Lagonda.

Last year Aston Martin began producing the Zagato in a limited edition of 50 cars. The entire production run of the car - whose top speed of 186mph puts it in a class with the Ferrari GTO and the Porsche 959 - found customers before the first car was built.

The company recently installed £350,000-worth of computerised equipment for the production of engine cylinder block heads and blocks for a new, smaller sports car scheduled to be launched in October 1988.

Ford said this project would be more secure now Aston could count on Ford's technical and financial resources.

Aston Martin was recently thwarted in another expansion attempt when it failed at the last ditch to buy Rayton Fissori, the Italian producer of luxury four-wheel drive vehicles.

The Aston Martin deal is in line with Ford's previous attempts to acquire a prestige car name to add to its European operations. It failed in a bid for Alfa Romeo of Italy - which went to Fiat - and had preliminary talks about taking over Austin Rover in the UK which owns the MG brand. However both those potential deals offered other, more important attractions.

Aston Martin is owned 75 per cent by the Livanos shipping family of Greece and 25 per cent by Mr Victor Gauntlett, who is to remain chairman and chief executive. The minority interest will be split equally between the Livanos family and Mr Gauntlett.

The price Ford is paying is unlikely to be revealed.

There have been technological links and exchanges of personnel between Aston Martin and Ford for many years.

Bankers give cool reception to Brazil's debt conversion plan

BY ALEXANDER NICOLL, EUROMARKETS EDITOR, IN LONDON

BRITISH BANKERS responded coolly yesterday to Brazil's radical proposal to convert half its $68bn medium and long-term debt to banks into securities.

Brazilian officials met Sir Jeremy Morse, Lloyds Bank chairman, and Bank of England officials yesterday before flying to Washington where Mr Luiz Carlos Bresser Pereira, the Finance Minister, is today due to meet Mr James Baker, the US Treasury Secretary.

The officials are expected to meet US bankers and to visit Tokyo, preparing the ground for a formal meeting with Brazil's bank advisory committee in about two weeks' time, before the annual International Monetary Fund meeting in Washington at which Brazil's debts are expected to be a key topic.

Lloyds, a member of the committee, said the talks with Mr Fernao Bracher and Mr Antonio de Padua Seixas, the country's senior debt negotiators, had been useful but there remained a long way to go before an agreement between the banks and Brazil could be reached.

The Bank of England declined to comment. Both Mr Robin Leigh-Pemberton, the Bank's governor, and Sir Jeremy have previously suggested that methods of securitising Third World debt should be examined.

Bankers said, however, that a proposal which forced a partial write-off of debts would be very hard for banks to swallow. Though banks have this year made large loan loss provisions, they have in most cases not written off debt.

Bankers did not believe that the terms of the securities as currently outlined - 35-year bearer bonds with below-market fixed interest rates - would be attractive either to banks or to other potential buyers.

One bank economist said: "I'm not sure that any of the banks is going to break ranks and look at something as radical as this".

Brazilian officials contend that securitisation would not force write-offs, but would improve the chances of eventual repayment.

Banks are likely to maintain their insistence that Brazil, which has paid no interest to them since February, produces an economic programme which could be approved by the IMF. "No new plan can be acceptable to banks unless the fundamentals are being addressed. We could not accept a plan like this in isolation," one banker said.

Brazil has rejected an IMF accord but some officials believe that a favourable reception by banks to the new plan could make a *rapprochement* with the IMF more politically acceptable at home.

Banks believe Brazil could and should make a token interest payment to help restore confidence. This would be particularly attractive to US banks, which face a new round of provisions if US regulators declare Brazilian debt "value-impaired".

Under the Brazilian plan, all its bank debt would eventually be converted into bonds, probably with the same face value as the existing debt. It would win lower interest rates which would take into account the fact that Brazilian debt trades at a deep discount to face value in the secondary market.

Banks, although they would face lower interest rates and longer maturities, would have greater assurance that Brazil's undertakings were within its capabilities, according to the Brazilian argument. They would also possess tradeable paper in which a liquid market could develop, and on which repayments could be speeded and interest rates increased if Brazilian economic performance improved.

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ODDS GROW AGAINST US-CANADA PACT ON TRADE

Turkish parties prepare for November 1 poll

BY DAVID BARCHARD IN ANKARA

TURKEY'S POLITICAL parties yesterday began preparing for an election expected on November 1, as the Prime Minister Mr Turgut Ozal celebrated what amounts to a major tactical victory in the weekend's referendum.

As counting drew to a close in the referendum to decide on whether or not to allow currently banned opposition politicians from participating in politics, it became clear that they had scraped home with the smallest possible majority.

Voters appear to have been impressed by Mr Ozal's argument that in voting for the return of the banned politicians they might be opening the way for a return of urban terrorism. Since 1980, about 200 politicians have been banned from participating in politics.

However, it also seems that economics played a part in the poll and that the Government got some of its votes from groups to which it has channelled funds in the last few months, notably farmers.

The final result was expected to be declared as "yes" votes (for the reinstatement of the banned politicians) 50.24 per cent and "no" votes 49.76 per cent. However, there were more than 1.5m invalid votes cast, roughly a tenth of the entire electorate.

The high proportion of invalid votes probably reflects a technical problem seen in many previous Turkish elections. Voters have to stamp a ballot paper and then fold it. It the ing is wet when this happens, the paper is smudged and declared invalid.

There were also grumbles from a large number of Turks who discovered that they had been omitted from the electoral rolls despite the fact that these were drawn up during a day-long national curfew in June. A further complication to the referendum result may come if the ruling Motherland Party presses ahead with objections to the conduct of the poll in five provinces where there was a vote in favour.

Again, such protests by political parties are routine, but in this case if successful, they might push Mr Suleyman Demirel, a former prime minister, and the other banned politicians back below the 50 per cent mark and thus reverse the result of the referendum.

The precise date for an election has not been fixed, but sources in the Motherland Party were suggesting that it was likely to be November 1. The Ministry of Agriculture, along with other major ministries, was given secret orders two months ago to go on an election footing immediately after September 6.

Cautious flag-waving for Honecker

Mr Kohl (right) looms over Mr Honecker yesterday

BY DAVID MARSH IN BONN

THE FLAGS were duly out in Bonn yesterday for Mr Erich Honecker. But, in line with the cautious undertone of the first visit to West Germany by an East German head of state, no-one felt much like waving any.

The main characteristics of East-West German politics is collective schizophrenia. And the welll-organised but low-key welcome given to the 75-year-old Communist leader — just warm enough to recognise East Germany's claims to sovereignty, but not too lavish to damage Bonn's principle that the nation remains in a state of dormant unity — fitted the bill almost exactly.

Mr Honecker, looking his usual quizzical self, arrived in a large Mercedes at 10.30 yesterday morning in the gardens of the West German Chancellor's headquarters.

The organised cheerleaders who habitually accompany Mr Honecker at home where left behind in East Berlin. With excitement no greater than in the average Bonn bus queue, journalists and young West German policemen significantly outnumbered the small number of bystanders milling up against the iron perimeter fence.

Mr Honecker somewhat self-consciously saluted the military guard of honour and stood to attention beside the lumbering figure of Mr Helmut Kohl as the band played the East German national anthem.

Overhead fluttered 16 almost identical black red and gold East and West German flags, the former distinguishable from the latter only by the slightly incongruous addition of a hammer and a pair of compasses.

Security precautions were far from excessive, with journalists even allowed to examine Mr Honecker's leather-padded Stuttgart-registered limousine complete with three on-board telephones. "We are a free country," commented one Bonn official, making the contrast with the oppressive security when former Chancellor Helmut Schmidt visited Mr Honecker in East Germany in 1981.

West German sensitivities dictated hat the West and East German hymns should not be called "national" anthems. East German officials were unable to give the full text of the East German rendering—which sounds like a rumbustious Christmas carol — because the words, containing a seditious reference to national unity, were baned a few years ago.

In similar surrealistic vein, to keep alive the view that East Germany is not a foreign country, Mr Oskar Fischer, the East German Foreign Minister, could not be officially greeted yesterday morning by Mr Hans-Dietrich Genscher, Bonn's Foreign Minister, but had first to see Mrs Dorothee Wilms, the Minister for Intra-German Relations, sporting an appropriately blousy red scarf.

Mr Honecker, born in the Saarland on the western fringes of what is now the Federal Republic, as a young Communist agitator in 1935 was imprisoned by the Nazis when Mr Kohl was only five years old.

Long held in West German public opinion as, at best, a puppet functionary of Moscow, at worst, the incarnation of Communist evil, Mr Honecker must yesterday have been reflecting on the ironies of his long haul to military honours by the side of the Rhine.

He organised the building of the Berlin Wall in 1961, 10 years before taking over as party chief from his protector, Mr Walter Ulbricht. A host of recent TV documentaries, newspaper articles and a newly-produced biography, focusing above all on his Communist youth and 10 years in Hitler's prisons, have contributed to correcting at least part of Mr Honecker's image in West Germany.

He was labelled recently by Mr Helmut Schmidt as "one of our brothers." If yesterday's start was anything to go by, East-West German summits may have a chance of developing into restrained but regular gatherings among members of a rather difficult family.

BIS-watchers lose a familiar landmark as Volcker bows out

BY ANDREW FISHER IN BASLE

"CALL ME IGNORANT," said Mr Paul Volcker as he strode towards the swing doors of the Bank for International Settlements, the Basle venue for the meetings of central bankers which are doorstepped by patient journalists hoping to prise a few words out of the guardians of the world's currencies.

"I don't know anything any more." The tall, stooping Mr Volcker, looked amused and relieved at the idea that he would no longer be bothered at the monthly BIS meetings, having just been succeeded as chairman of the US Federal Reserve Board by Mr Alan Greenspan.

Not that Mr Volcker has been particularly voluble when confronted by journalists here. But at least, he is easily recognisable. Thus, it was that on Sunday night he was pursued by a quartet of journalists, who had spotted him across the square as he walked from the Hilton Hotel to Basle station.

Having taken a bemused look at an old wooden siege catapult on display in the station forecourt, he tried to buy an English-language newspaper. The only one left was the Observer, the UK Sunday paper. Not having enough Swiss franc coins, he had to borrow the SFr 5.50 (£2.26) from a reporter, having just asked if he could sell anyone dollars.

She was paid back later by a Fed official. Mr Volcker, known for his caution with money and certainly not having become rich from his Fed days, somehow forgot this and tried to pay her back again yesterday morning outside the BIS.

Mr Volcker, a strong supporter of currency stability, seemed keen that those he is leaving behind in the realm of central banking should be equally so. Asked if he thought February's Louvre accord on exchange rate stability would last much longer, he replied: "If everybody does the right thing."

Quite what he meant was not sure. But it was no more nor less revealing than some of the Delphic remarks which drop from central bankers' lips. Mr Greenspan did a good job on Sunday night of avoiding the press, grinning from a dark blue limousine as he sped off to a farewell dinner for Mr Volcker, at which Mr Karl Otto Poehl, president of West Germany's Bundesbank was to give a small speech.

Bankers such as Volcker, Poehl, and Greenspan are well-known. But in trying desperately to glean comments from others who are not so recognisable, a sort of spot-the-central banker game is often played in Basle, either around the hotels or outside the ugly dark brown building, like a giant pepper pot, that houses the BIS, in effect the central bank of central banks.

Private mail groups say customs unfair

BY WILLIAM DAWKINS IN BRUSSELS

PRIVATELY OWNED express delivery companies have complained to the European Commission against what they allege is unfair discrimination by Customs authorities.

They want Brussels to persuade member-states to give the same treatment at Customs posts to mail carried by private carriers as to mail carried by national post offices. The International Express Carriers' Conference, the main association for the sector, maintains that its members' deliveries have to go through far tougher border checks and hence incur heavier costs than is the case with publicly carried post.

Both the Community and member-states are losing large sums in uncollected VAT and excise duty, the IECC claims. "All this is at a time when the Commission is complaining that it is short of own resources," said Mr Gordon Barton, the IECC's chairman. It has also told the Commission that post offices and Customs authorities could be breaking EC rules against the abuse of monopoly positions.

The complaint has been stuck between the two Commission departments responsible for customs and competition policy for the four months since it was sent to Brussels. Officials have been unable to agree which department should handle the issue, a problem complicated by the fact that the EC has no formal policy for the fast growing express delivery industry. However, Commission officials said yesterday that both departments would be renewing contact on the issue soon.

"We believe customs are turning a blind eye to the post offices," said Mr Barton. "We are not trying to attack Datapost," he added, referring to the express delivery service run by the British post office. "All we want is equal treatment."

Customs authorities assess—inaccurately, claims a survey commissioned by the IECC—duty and tax on international mail sent through post offices. But private carriers must carry out their own assessment and documentation, which means hiring extra staff and risking heavy fines for wrong declarations, says the group.

Its survey, carried out by Peat Marwick, the accountancy firm, shows that less than a quarter of a sample of packages worth up to $225 each, posted to a selection of EC cities attracted VAT, rising to one third of the sample for excise duty. The sample included 157 parcels on which VAT of $3,439 was due, but customs only collected $876. Duty totalling $1,390 should have been paid on 98 of the packages, but only $357 was collected.

SAMPLE OF EXPRESS MAIL SHIPMENTS BETWEEN US AND EUROPE

Destination	Instances in which duty was legally due	Instances in which some duty was paid	Amount due (US$)	Amount paid (US$)
EEC cities:				
Amsterdam	7	5	102	47
Athens	8	3	84	51
Brussels	9	2	114	8
Paris	10	4	168	44
Copenhagen	9	1	124	6
Dublin	9	—	151	—
Hamburg	8	2	138	41
London	9	6	126	38
Lisbon	7	3	162	79
Luxembourg	9	5	105	13
Madrid	5	—	51	—
Milan	8	2	65	18
Totals	98	33	1,390	357

Source: Peat Marwick

Bulgaria presses Gatt suit

By Judy Dempsey, recently in Sophia

AS PART of a drive to increase foreign trade with western countries, the Bulgarian authorities are preparing a memorandum for member states of the General Agreement on Tariffs and Trade, the director general of the Bulgarian Ministry of Trade, Mr Atanas Paparizov said recently in Sofia.

The memorandum aims to explain Bulgaria's economic policy and Mr Paparizov hopes that negotiations on Bulgaria's application to join Gatt, which the Soviet Union is also considering, could start after the memorandum has been considered by the member states. He stressed, however, that "the main aspects of the economic reforms must be enforced" before the memorandum is sent.

Over the past year or so, Bulgaria has embarked on what appears to be a restructuring of the way enterprises and ministries are run. In July, during a Central Committee plenum devoted entirely to the need for radical economic and political changes, Mr Todor Zhivkov, the Bulgarian President and Communist Party leader, said that decisions and directives from ministries to enterprise management would be greatly reduced

Meanwhile, in an effort to explain the change in economic policy and to project a more outward-oriented trading policy, the Bulgarian Ministry of Trade is organising next week a series of seminars at Georgetown University in Washington. "We have to move away from bi-lateral trading relations to a more broadly based trade structure, hence the importance of Gatt," said Mr Paparizov.

Afghan-Pakistan talks resume

BY WILLIAM DULLFORCE IN GENEVA

AFGHAN AND Pakistani delegations resumed talks on an Afghan peace settlement here yesterday amid indications that they could be close to agreeing a timetable for the withdrawal of the estimated 115,000 Soviet troops in the country.

The scheduled three-day meeting—shorter than any of the 10 earlier rounds held under UN auspices since 1982—was called by the Soviet-backed Afghan Government.

Optimism has been generated by the stepped up diplomatic activity before the meeting in Washington on September 15-17 between Mr George Shultz, the US Secretary of State, and Mr Eduard Shevardnadze, his Soviet counterpart.

The ministers, preparing a Reagan-Gorbachev summit later this year, are scheduled to discuss regional issues as well as a treaty for the global eradication of intermediate-range nuclear missiles.

Last month Mr Igor Rogachev, a Soviet deputy Foreign Minister, said specific dates for a Soviet troop withdrawal from Afghanistan would be set at the next Geneva talks. At the beginning of this month US officials said Washington could be moving towards accepting a one-year withdrawal period.

During the last UN proximity talks in Geneva in March Mr Yaqub Khan, the Pakistani Foreign Minister, and Mr Abdul Wakil, the Afghan Foreign Minister, narrowed their differences over the timetable to 11 months with Kabul demanding at least 18 months and Pakistan insisting on a maximum of seven months.

The so-called proximity process is followed because Pakistan does not recognise the Communist government in Kabul. Delegations sit in adjacent rooms with Mr Diego Cordovez, the UN under-secretary, shuttling between them.

Timing of the removal of Soviet troops, who entered Afghanistan in December 1979, is the only unsettled issue in the four-point UN peace plan hammered out over the past five years.

Afghanistan and Pakistan have largely accepted a bilateral accord on non-interference and non-intervention and an agreement for the return of some 5m Afghan refugees. The terms under which the US and the Soviet Union would guarantee the peace plan have also been settled.

Still to be agreed, however, is the composition of a "national reconciliation" government to be put in place in Kabul. The US has stressed that it must be acceptable to the Mujaheddin rebel forces fighting the Soviet and Afghan armies.

Italian arms charges denied

By John Wyles in Rome and Alan Friedman in Milan

THE LEADING Italian businessman Mr Ferdinando Borletti, and his son, Giovanni, yesterday denied charges of involvement in trading arms to "belligerent countries" through the company Valsella Maccanotecnica.

Mr Borletti senior is president of Valsella and his son its director general. It emerged yesterday that the charges involve not just the export of mines, thought eventually to have found their way to Iran, but other contracts for war material worth millions of dollars.

Meanwhile, Mr Paolo Torsello, the company's managing director, who could not be found when the arrest warrants against Valsella management were issued on Friday, reported to the authorities in Milan yesterday.

July results cut Greece's current account deficit

BY ANDRIANA IERODIACONOU IN ATHENS

GREECE'S CURRENT account deficit in the first seven months of this year fell to $1.104bn after peaking at $1.465bn at the end of June, thanks to an increase in invisible earnings which generated a surplus last July, according to Bank of Greece figures released yesterday.

In the same period foreign exchange reserves reached $3.156bn, compared to $2.051bn at the end of July 1986, reflecting a systematic policy of borrowing to boost reserves pursued by the Bank of Greece since the beginning of this year.

The turnaround in the balance of payments performanc ehas come as a relief to the authorities, which according to the targets of a stabilisation programme adopted two years ago are committed to reducing the current account deficit this year to $1.25bn, from $1.7bn in 1986. The target is still considered ambitious, but it is now hoped to limit the extent of any overshooting.

Mr Costas Simitis, the Economy Minister, noted that the January-July 1987 figures are the best for the seven-month period since 1979, when Greece's balance of payments began to deteriorate rapidly because of the second "oil shock."

Total invisible earnings in the first seven months of the year went up by 26.9 per cent, to $4.446bn compared to the same period in 1986, reflecting increases in earnings from tourism and — after an extended flat period — shipping.

Import costs however continued to go up, showing a 21 per cent rise for non-oil imports and 6.5 per cent for petroleum products.

Austrian probe into arms charge

By Judy Dempsey in Vienna

VOEST-ALPINE, Austria's steel and engineering group with interests in armaments, is to launch an internal investigation into allegations that it had exported arms to Iran in 1985 in defiance of a Government ban.

Press allegations claim that Noricum, the weapons division of the company, shipped to Iran 200 cannon of the GHN-45 type along with munitions in 1985. The deal was worth over $300m.

A spokesman for Voest-Alpine yesterday denied the allegations. "We never knowingly exported weapons to Iran," he said. The company did export arms to Libya in 1985, "but we have stopped exporting now," he added, arguing that once arms shipments leave Austria, "it is out of Voest-Alpine's responsibility and control as to what happens to those weapons."

Another Voest-Alpine subsidiary, Intertrading, recorded losses of over Sch 2.4bn (£115m) in 1985 as a result of illegal speculation on the oil market.

All arms sales require a licence from three ministries in Vienna, as well as the Chancellor's office, and because Iran is on the Austrian Government's so-called black list which bans any arms exports.

Last week, the authorities in Linz, where Noricum is located, searched its premises and took away papers. At the weekend Mr Peter Untenberger, the former head of Noricum, was detained by the Linz authorities for questioning.

Italy to send mixed Gulf force

By John Wyles in Rome

THE ITALIAN government announced last night that it would be sending a mixed task force of minesweepers and frigates to protect shipping flying the Italian flag in the Gulf.

Giving first details to the Senate's defence committee of the naval mission which the government has decided to despatch, Mr Valerio Zanone, the Defence Minister, said that it would comprise three Lerici class minesweepers, two Maestrale class frigates and one of the Lupo class, one support ship and one supply vessel.

The vessels have already been brought together at the Angusta naval base in Sicily and according to Mr Zanone, the frigates would need 15 or 16 days to reach the Gulf and the minesweepers 20-25.

Their task would be to protect vessels navigating in international waters through the Gulf, which are flying the Italian flag, against hostile shipping. This would also involve minesweeping operations under protection of the frigates. Mr Zanone said that for the moment no air protection would be provided in line with judgments made by both France and Britain, whose navies are already in the Gulf, that none was needed.

Despatching the task force was both a "right and a duty," Mr Zanone told the committee, and its intention was strictly defensive. The danger to Italian shipping had become a real one since last Wednesday's attack on the container ship, the Jolly Rubino, he claimed.

● The Netherlands is sending two minesweepers to the Gulf, Mr Wim van Ekelen, the Minister of Defence, said yesterday after a special meeting of the Dutch Cabinet, our Amsterdam Correspondent reports. The two minesweepers are of the modern Alkmaar class.

Yesterday the Dutch minister had consultations with Mr Ian Stewart, the junior British Defence Minister, who confirmed that the British Navy would supply the Dutch with logistic assistance as the Dutch have no naval base in the area. Mr van Ekelen said that the ships would leave by October 1 and would be active in the area for a period of four months. They will be manned by volunteers only, he said.

Conable to seek sharp rise in Bank budget

MR BARBER Conable, president of the World Bank, yesterday said the bank needed $60bn to $80bn of extra money – which would about double its present budget – if it was to cope with world poverty in the 1990s, Reuter reports from Stockholm.

Mr Conable told reporters after meeting Scandinavian officials that he would try to persuade World Bank members to increase contributions at the bank's annual meeting in late September.

He said the bank hoped to have enough to expand its lending programme into the 1990s but added: "We are only as strong as the support member states give us."

Mr Conable said the extra funds would take the total World Bank budget above $100bn dollars. He was optimistic but by no means certain of getting the money.

The World Bank, set up under the Bretton Woods agreement of 1944, is the main international agency for channelling aid funds to developing countries.

"My hopes for the conference have been bolstered by the support of the Nordic countries – they have set a constructive standard for other members," he said.

Mr Conable said the annual meeting, held jointly with the International Monetary Fund (IMF), would discuss the critical debt situation in sub-Saharan African nations.

One possibility was a rescheduling of African debt, as well as possible interest rate concessions by the so-called Paris Club of the main lending nations.

Mr Conable said he would also appeal for wealthy countries to keep world markets open. "Economic growth, world stability, is not going to occur unless there is free trade throughout the world."

Also on the agenda would be Brazilian loan repayments. "We are confident Brazil will negotiate seriously on the issue...its reserves are now quite high," he added.

Mr Conable said the World Bank has decentralised decision-taking. "This will make us more responsive to today's concerns." Part of these concerns were fears of environmental damage done by World Bank development projects.

He said part of the new-look World Bank would be the inclusion of environmental considerations in development projects.

Foreigners to be allowed to buy books

Moscow Book Fair goes commercial

THE MOSCOW International Book Fair, which opens today, will operate commercially for the first time in its 10-year history, Mr Mikhail Nenashev, head of the fair's organising committee, said yesterday, Reuter reports from Moscow.

Mr Nenashev, who is in charge of publishing in the Soviet Union, said the fair would reflect Kremlin moves for greater openness although the authorities still reserved the right to confiscate foreign publications banned under Soviet law.

"We're trying to make the event less of an exhibit and more of a fair," Mr Nenashev told a news conference. He said 17m Soviet books were ready for sale to foreign buyers, in contrast to previous years when the literature was simply displayed.

The Moscow Book Fair, held every two years since 1977, gives the Soviet public a rare chance to see titles published abroad although they cannot buy the foreign publications.

Mr Nenashev said 103 countries would display their books. Israel, which has attended the fair in the past, had sent one of the largest delegations this year.

Mr Nenashev said certain works would not be allowed at the fair for political, moral or ideological reasons, including "racist, fascist or pornographic" literature.

"Our charter will be implemented, but you will see we are very forthcoming and rational." But he added: "There are laws which must be obeyed."

At the last Moscow Book Fair in 1985, the authorities banned a number of titles including works by the late Russian emigré writer Vladimir Nabokov, some of whose fiction has since been published in the Soviet Union.

Mr Nenashev acknowledged that the Soviet publishing industry was failing to meet public demand for books "by certain authors who were forgotten for some reason" including Boris Pasternak, Anna Akhmatova and Osip Mandelshtam.

He said previously unpublished works by these writers would be brought out in the next two years and volumes of the immensely popular poems and songs of the late Vladimir Vysotsky would be available for the first time "in the nearest future."

Mr Nenashev said a new reference work, The Encyclopedia of the Great October Revolution, reflected a re-evaluation of Soviet history and attempted to make publishing more objective.

He said the work, not yet on sale, included such major figures as Leon Trotsky, Lev Kamenev and Nikolai Bukharin, whose names were expunged from Soviet history books during the Stalin era.

Mr Nenashev said Soviet publishers would seek to meet high foreign demand for previously suppressed works such as Anatoly Rybakov's novel on daily life in the Stalin era, Children of the Arbat, which is not yet available in bookstores.

Officials said demand was also high for works touching on Kremlin reforms by authors such as Abel Aganbegyan and Tatyana Zaslavskaya, two leading shapers of Soviet economic policy.

In line with the reforms, Mr Nenashev said, the State Publishing Committee which he heads would begin operating on a self-financing basis from January 1, ending the use of government subsidies to make up its losses.

The committee was already responsible for marketing Soviet books abroad, previously conducted by other ministries.

Warsaw Pact officers to watch Nato exercise

TEN WARSAW Pact officers arrived yesterday for what will be the first observation of Nato exercises on West German soil by representatives of the Soviet-led military alliance, Reuter reports from Bonn.

A Bonn Defence Ministry official, Lt-Col Werner Widder, said the officers – two each from the Soviet Union, East Germany, Poland, Czechoslovakia and Hungary – were met in Bonn by the ministry's state secretary, Mr Lothar Ruehl.

The 10 are the first Warsaw Pact personnel to observe exercises in West Germany, Nato's front-line state, since the signing of an accord at the Stockholm Security Conference giving both military blocs the right to scrutinise any movements involving more than 15,000 troops.

In March, officers from West Germany and 20 other countries observed exercises in East Germany for the first time. The manoeuvres involved 23,500 Soviet and 1,500 East German troops.

A contingent of 30,000 US soldiers have been flown in to join 55,000 troops from Britain, West Germany, Belgium and the Netherlands in a month-long Nato exercise dubbed Reforger

A separate group of Eastern Bloc representatives will watch West German-led manoeuvres called Golden Lion involving 22,000 troops from September 11 to 18.

A third delegation will go to the states of Bavaria and Baden-Württemberg to see Franco-German exercises, Cheeky Sparrow, involving 75,000 troops on September 17-26, Lt-Col Widder said.

● Nato and Warsaw Pact members are scheduled to convene on September 28 when they will make their first attempt to work out a joint mandate aimed at opening talks on reducing conventional forces in Europe.

Draft framework proposals on the cuts were presented by Nato in July.

If accepted by the Warsaw Pact the proposals would eventually lead to the phasing out of the deadlocked Mutual and Balanced Force Reduction talks which have been taking place in Vienna for the past 13 years.

The Soviet Union had earlier tabled a draft plan which included a suggestion, opposed by Nato, that short-range nuclear weapons and some tactical aviation systems be included in the negotiations.

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Fragile truce takes hold in Gulf war

BY ANDREW GOWERS, MIDDLE EAST EDITOR

A FRAGILE and temporary truce appeared to have taken hold in the Gulf war yesterday as Iran, Iraq and Baghdad's Arab allies mounted fresh diplomatic initiatives ahead of an expected United Nations peace mission at the end of this week.

To judge by Iraqi war communiques Iranian guns, which were reported last week to be heavily bombarding Iraq's port and second city Basra, have all but fallen silent.

Meanwhile, Iraq appears for the time being to have halted its attacks on Iranian oil facilities and tankers. The so-called tanker war reached an unprecedented degree of ferocity last week after Iraq resumed bombing raids on ships and oil installations. But Baghdad has reported no new strikes or air activity since last Saturday.

The latest lull in fighting follows an appeal from the UN Security Council last Friday for a ceasefire while Mr Javier Perez de Cuellar, the UN Secretary-General, visits Tehran and Baghdad in a last-ditch diplomatic effort to secure an end to the seven-year-old war.

Iran, which was last reported to have attacked neutral shipping in the Gulf on Thursday of last week, has said it will exercise self-restraint during the mission. Iraq—which has been under heavy Western pressure to halt tanker attacks in order to give peace moves a chance—now appears to be doing likewise.

However, while neither side seems anxious to be seen to derail the peace mission, it is clear that they will resume the war with undiminished vigour if it should fail.

Iran has kept up the pressure on Kuwait, which it threatened with long-range missiles last week, prompting the Kuwaitis to expel five Iranian diplomats including the acting head of Tehran's mission. Iraq, which hit 15 tankers in the eight days up to last Saturday, is reserving the right to re-start the tanker war if it should come under renewed assault on land.

Meanwhile, the focus shifted once again to the diplomatic arena. Mr Mohammad Jawad Larijani, the Iranian deputy foreign minister, was in Moscow for talks with his Soviet counterpart, Mr Yuli Vorontsov, in the latest sign of a recent cautious rapprochement between the two countries. Iran also proposed a partial exchange of prisoners with Iraq later this month.

Sheikh Sabah al-Ahmad al-Sabah, the Kuwaiti foreign minister, was due in Amman last night for talks with King Hussein ahead of a trip to Moscow, where he will urge the Soviet leadership to back an arms embargo against Iran if it fails to comply with the UN Security Council's July 20 ceasefire call.

King Hussein himself was in Baghdad earlier yesterday, as was the Libyan Foreign Minister, Jaddalah Azzouz al-Talhi.

Mr Claude Cheysson

Cheysson hints at EC aid package to Syria

By Nora Boustany in Beirut

MR CLAUDE CHEYSSON, European Commissioner for external relations, has ended his first visit to Damascus since the EC lifted a ban on high-level contacts with Syria, promising that the Community would soon consider a new Syrian aid package and implicitly criticising Britain's continued refusal to renew diplomatic relations with Damascus.

The visit was the latest sign that Syria is emerging from the diplomatic isolation it has suffered since a London court implicated Syrian officals in a plot to blow up an Israeli airliner last October. Last Wednesday, Mr William Eagleton, the US ambassador to Damascus who was withdrawn when Britain broke off *diplomatic* relations with Syria, returned to the Syrian capital.

Last month, West Germany released DM 70m in economic aid to Syria, though a ban on arms sales by EC member states to Syria is still in effect.

Mr Cheysson, who had talks with several Syrian ministers, said previous EC financial protocols were going ahead normally, since Syria had now brought its payments up to date.fi He added that the Commission would consider proposing a negotiating mandate to the EC council of ministers for a new financial protocol involving food self-sufficiency programmes, irrigation, power supply and industrial regeneration.

It is understood that although Britain has not objected to the resumption of high-level EC visits to Syria, it has made it clear that it does not consider it appropriate to offer more aid.

Mr Cheysson said the absence of British diplomatic ties with Damascus was a handicap for Britain's foreign policy but he found it improbable that the British would block such a protocol should it be endorsed by other EC members.

"The British don't like vetoing anything," he said. "They don't like to be isolated."

However, Western diplomats in Damascus said Britain is still insisting on further evidence that Syria has distancol itself from terrorism before it will consider renewing relations.

Mr Cheysson said Britain would have to understand the reversal of other EC measures vis-a-vis Syria in view of Syria's important role in Middle Eastern politics, including the matter of Western hostages in Beirut and its influence as a go-between with Iran. "I am convinced that the British will have already taken into account and will take into account the problems for their partners. Some of their partners cannot afford to provoke the Syrians."

New alliance fights for Hong Kong reform

BY DAVID DODWELL IN HONG KONG

A NEW POLITICAL alliance was unveiled in Hong Kong this weekend, poised to fight for democratic reforms in the territory in elections next year.

A programme of rallies that it has organised to gather support appears certain to set the stage for three weeks of fresh political controversy in Hong Kong as a summer-long debate on political reform comes to a climax. Its first rally, held on Sunday, won 130,000 signatures in support of direct elections next year.

Inauguration of the new alliance coincides with controversy in the British territory over allegations that the 10,000 staff employed by the Bank of China and its 12 sister banks are being pressured into signing a petition opposing direct elections.

Neither the new alliance nor the Bank of China controversy are likely to be welcomed by Peking, whose most senior representative in the territory just three days ago called for consensus among groups holding conflicting political views.

The new political grouping, to be called the Joint Committee on the Promotion of Democratic Government, made its debut splashed across the entire front page of last Friday's Ming Pao, one of Hong Kong's leading Chinese language newspapers.

Under a banner headline in red reading "We support direct elections in '88" were listed the names of 145 organisations and 864 individuals who have come together to form the group.

It plans signature-gathering *campaigns—the first held on* Sunday—and a mass rally in Hong Kong island's Victoria Park on September 27, all aimed at gathering public support for direct elections to Hong Kong's legislative council next year.

Mr Yeung Sam, who heads a leading pressure group called Meeting Point and is a member of the new alliance's executive committee, said yesterday that the group aims to be a counterweight to the "Group of 72"—a political grouping strongly supported by big business in Hong Kong which is campaigning against hasty political change.

Peking has made clear its opposition to direct elections *next* year, and asked for local people to await the publication in 1990 of the basic law, which will provide the framework for Hong Kong's post-1997 constitution, before pressing for major political change.

There was nevertheless an embarrassed silence among Chinese officials in Hong Kong yesterday over complaints by Bank of China staff that they were being instructed by the bank's personnel department to sign a petition opposing political reform. The initiative apparently came from senior bank staff after a briefing in July by Mr Malik, deputy secretary general of the Basic Law Consultative Committee.

An edited video version of the talk—which reportedly referred often to the conspiracy of the British and Hong Kong governments — was later shown to junior staff.

Complains have emerged from local university graduates, who have been recruited in substantial numbers by the Bank of China in the recent past as the group strives to improve its reservoir of qualified staff: "They are mixing business with politics," one said. "Many of us feel this kind of pressure is inappropriate for the image of the bank."

Leadership talks for two Kims

BY MAGGIE FORD IN SEOUL

MR KIM DAE JUNG, one of South Korea's two opposition leaders, is to undertake a controversial visit to his home city of Kwanju where hundreds of civilians were killed by police in an uprising against the Government of President Chun Doo Hwan in 1980.

The uprising became a cause celebre in the opposition's political struggle against the current government and today's visit is the first by Mr Kim to his home district in 15 years.

The trip comes after Kim and the country's other main opposition leader, Mr Kim Young-Sam yesterday agreed to form a committee to help decide which leader will be the main opposition party's presi*dential candidate in elections* due this December.

The issue of who should lead the opposition in December's presidential elections is perhaps the most problematic of the unanswered questions in South Korean politics as the country attempts to move towards a more democratic political system.

The Kims each named one aide to the committee to "discuss all pending issues, including the single candidacy and the division of roles between us," said Kim Young-sam, who is president of the main opposition Reunification Democratic Party.

Kim Dae-jung said yesterday the nomination of the opposition presidential candidate could be delayed until after the adoption of a new constitution by the National Assembly in about one month.

Kim Young-sam, however, favours an early nomination. The elections are expected to be held at the end of the year.

Top aides to the two opposition leaders said formation of the two-member committee was a *step toward settling the candi*dacy issue peacefully.

The two Kims have ruled out the possibility of deciding the issue through a ballot showdown.

The ruling Democratic Justice Party has nominated its president, Roh Tae-woo, as its presidential candidate.

Mr Kim's tour to Kwangju comes at a difficult time as South Koreans attempt to travel down the bumpy political road opened by Mr Roh, who announced democratic reforms including elections in late June.

Labour strife continued yesterday, but at a much reduced level. For the first time in two months, the number of new strikes reported dropped below 10 on both Sunday and Monday.

The Labor Ministry said eight new strikes broke out on each of the two days, while 155 were resolved on Sunday and 44 disputes on Monday.

Yesterday, strikes were under way at 305 worksites, 211 of them taxi or bus companies, ministry officials said.

The number of strike-bound companies would decrease sharply in a day or two because a partial work stoppage involving 150 taxi companies in Seoul was expected to end.

Workers at the Hyundai heavy and precision engineering plants in Ulsan remained locked out, but negotiators at Daewoo's motor car plant were hoping to reach agreement to return to work tomorrow.

Ramos backs plan to free troops seized in coup bid

BY RICHARD GOURLAY IN MANILA

GEN Fidel Ramos, Philippines armed forces chief, has approved a plan to release most of the soldiers captured during an attempted coup against President Corazon Aquino 11 days ago in which over 50 people were killed.

Gen Ramos also warned a Senate defence committee yesterday that another coup attempt is possible but said it could not threaten the government.

Last month's failed coup was the most serious of five military mutinies in Mrs Aquino's 18 months in office and has left her government with a divided military that is still criticising her aloud.

The coup's leader, Colonel Gregorio Honasan, who is still at large with an unconfirmed number of rebels, appears to command considerable sympathy inside the military for his ideas, if not his methods.

Two of Mrs Aquino's closest advisers, who have become the focus of much of the military's disenchantment, will appear today before the Congressional committee investigating the attempted coup.

The first 40 of the more than 1,000 mutineers captured by loyal government troops were released yesterday. The government has not specified whether the ordinary soldiers involved will be charged, though officials imply that only their officers will be charged.

Meanwhile the communist-led New People's Army blew up two bridges in a continuing campaign to take advantage of what they call divisions in the "reactionary forces" that have already claimed more than 100 lives since the attempted coup.

AP adds from New York: Senior US officials say the recent coup attempt in the Philippines almost succeeded and that Philippine President Corazon Aquino faces long-term obstacles in ensuring the loyalty of the military, according to the New York Times.

The Times reported that the August 28 coup attempt largely surprised US intelligence agencies.

Gandhi moves to give new look to cabinet and party

BY K. K. SHARMA IN NEW DELHI

MR RAJIV GANDHI, India's Prime Minister, yesterday replaced a number of seniof officials of the ruling Congress-I party and accepted the resignation of one minister i what was widely interpreted to be the start of moves this week to give a new look to his cabinet and the party.

Mr Gandhi sacked four of the five general secretaries of Congress-I and replaced them with new officials, one of whom was Mr Ghulam Nabi Azad, whose resignation as a minister for food and civil supplies was accepted.

This is expected to herald major changes in the cabinet which has a number of vacancies because of resignations by senior ministers in the past couple of months and also because observers feel the beseiged Mr Gandhi needs to improve the functioning of the government and give it a new look.

Mr Gandhi's image has been seriously tarnished in the past years because of controversies over defence deals and charges that his government has not been functioning in a manner that would effctively tackle the country's many serious problems.

That major changes are in the offing became clear from a letter Mr Azad wrote to Mr Gandhi offering his resignation from the government to devote himself to party work. This is thought to be a hint that many other ministers should also quit heir posts and improve the functioning of the Congress-I party.

Congress-I party has taken a serious battering in the past 18 months because of a series of election defeats in *states* all over India which has led people to question Mr Gandhi's vote-catching abilities. Mr Gandhi, apart from being prime minister, is also president of Congress-I.

Mr Gandhi has also been criticised for failing to democratise the party, since he has repeatedly postponed internal elections. The new moves could lead to the ordering of the election and also changes in the organisation of the party at the level of the states.

Reuter adds: Seven people were killed and 16 wounded when police opened fire to disperse rioters in India's West Bengal state, the Press Trust of India (PTI) reported yesterday.

It said police fired 22 rounds on Sunday in the state's Malda district after two groups of people stoned each other during a religious procession.

PTI did not identify the groups but said 30 people had been arrested. A ban on public assemblies and meetings was immediately imposed.

India offered Sri Lanka $35m yesterday in grants and soft loans for reconstruction in northern and eastern parts of the island, Reuter reports from New Delhi.

Mr Narain Dutt Tiwari, Finance Minister, announced a grant of Rupees 250m at the first meeting of an Indo-Sri Lanka joint economic commission in more than 11 years.

Mr Tiwari also offered Colombo soft loans worth Rs 200m at the meeting attended by Sri Lanka's Finance Minister, Mr Ronnie De Mel.

Upmarket move for China's illegal money-changers

BY ROBERT THOMSON IN PEKING

IN YEARS gone by, it was the banana-sellers. They would entice foreigners over to their bananas spread out on the back of a bicycle tray and utter the only two words of English they knew: "Change money."

Now the illegal money-changers have gone upmarket. They sell Chinese-made Calvin Klein creations and other examples of *haute couture* that have fallen off the back bicycle trays, though "change money" remains the extent of their English.

The mystery of the money-changers was why the Public Security Bureau, the Chinese police, turned a blind-eye to one of modern China's growth industries. Rumour had it that because many dealers were Uighurs, the Turkic-speaking minority from the far west, the government tolerated the illegal exchanges as a means of transferring hard currency to inland areas.

However, the People's Daily newspaper is trying to put a stop to it all. The paper has just published an expose of the black market, and, in particular, a clothing market cum dealing centre in the foreign quarter of Peking, where "change money" is fired *at* visitors every few steps.

The paper reported: "The foreign exchange black market started in some southern cities. Later, it came to Peking, spreading quickly in society like a plague. In order to get foreign exchange, some people, showing no concern for their nation or their own pride, follow at *foreigners'* heels.

"Others carry out these illegal activities in foreigners' cars, apartments or embassies.

They sell haute couture that has fallen off the back of bicycles, though 'Change money . . .' remains the extent of their English

They use motor-cycles and walkie-talkies to communicate, so as to avoid the security forces."

The black market men and women offer to change renminbi (literally, people's money) for foreign exchange certificates (FEC) which are issued to foreigners in China and can be used to buy imported goods or exchanged for hard currencies. Renminbi and FEC are supposed to have the same value, but dealers offer 160 renminbi or more for 100 FEC.

Ordinary, law-abiding Chinese are *keen to change money onw* and again to buy foreign products. Taxi-drivers will grab a foreigner from the end of a long queue simply because he will pay in FEC. Chinese hotels put a 30 per cent surcharge on foreigners insist on paying bills in renminbi.

The People's Daily was most anoyed at the "small racketeers" who crowd around foreign hotels and use clothing stalls as a front for dealing: "All information indicates that a foreign exchange market of a large scale exists in Peking. It is not surprising that this happens in other countries, but it is unthinkable that it is taking place in the Chinese capital."

Apparently, much of Peking's black market money is taken south by runners, several of whom have been apprehended in recent weeks at the capital's airport. Once down south, the money is sold to trading companies dealing in imported goods

It is also known that a state-run financial institution, awash with foreign currency from its interests abroad, is selling US dollars to local companies, with the government's imprimatur, at the rate of six renminbi to the dollar, while the official rate is 3.7 to one.

The People's Daily wondered why the "departments concerned" had not cracked down on the black market, which "seriously affects social order and China's international prestige." Police explained that they did not like getting involved because the cases "implicate *foreigners* and are *often* awkward."

AMERICAN NEWS

Democrat poll boosts Jackson

BY STEWART FLEMING, US EDITOR, IN WASHINGTON

THE REV Jesse Jackson, disputing the claim that the American voter is not ready to elect a black politician to the presidency, announced yesterday that he will formally declare his candidacy for the Democrtic Party's 1988 presidential nomination on October 10.

Rev Jackson's statement in a television interview coincided with the release of a poll conducted for Time magazine which suggested that with the exception of Rev Jackson none of the eight active candidates seeking the Democratic Party's nomination have so far suceeded in establishing a national identity.

At this stage in the electoral process polls tend to reflect name recognition more than strong feelings about the views and prospects of individual candidates. The Time poll, for example, found that 88 per cent of those polled recognised Jackson's name and 26 per cent called him their first choice as presidential candidate for the Democratic Party.

Governor Michael Dukakis of Massachusetts, who has been attracting a considerable amount of media coverage for his campaign in recent weeks, was a distant second in the poll with only 11 per cent of voters picking him as their first choice.

Senator Patricia Schroeder, who only began to campaign seriously in recent weeks and has yet to decide whether to enter the race formally, came third with 9 per cent.

In an unusual twist which may help to explain recent reports that former Senator Gary Hart may be considering getting back into the race, 41 per cent of those polled said they thought he should re-enter. Senator Hart is scheduled to appear in a television interview tonight when he will no doubt be asked about his political plans, if any.

He withdrew from contention earlier in the year after denying newspaper reports that he had spent a night in Washington with a female model while his wife was at home in Denver.

The Rev. Jackson's strong showing in the poll will be of concern to Democratic Party strategists who are already worried about public perceptions that the party is floundering in its search for a standard bearer.

Rev Jackson has been seeking to broaden his appeal beyond the black electorate which gave him most of his support when he ran for the Democratic Party nomination in 1988, by reaching out to liberal white Democrats in the farm and industrial sectors who are suffering from the structural economic changes in the economy.

But political analysts maintain that Rev Jackson will not be able to win enough support among white voters generally to win the party's nomination, particularly in the south, a region the Democrats badly need to do well in if they are to take the White House

On the other hand, it is recognised that he could have a significant impact on who among the other candidates becomes the party's nominee if, as many anticipate he again attracts strong support among southern black voters while successfully building a broader base of support

Jackson: name recognised

Latin American reserves eroding fast, says IADB

BY ROBERT GRAHAM, LATIN AMERICAN EDITOR

LATIN AMERICA is no longer able to maintain an acceptable trade balance and reserves are being eroded at an alarming pace, with serious consequences for the region's balance of payments and its ability to service foreign debt.

This warning is contained in the 1987 survey on Economic and Social Progress in Latin America published today by the Inter-American Development Bank (IADB).

The 480-page survey offers a gloomy assessment of the impact on the region of the five-year-old debt crisis, with falling living standards now threatening both economic and political development.

Latin America's terms of trade began to deteriorate in 1985 but the trend worsened last year. "Slow growth in the industrial countries, combined with expansionary domestic market policies pursued by some countries in the region caused the external account surplus to shrink to $18.7bn, little more than half the 1985 figure.

"As a result the region lost reserves in 1986 at five times the previous year's pace—$8bn versus $1.5bn in 1985."

The report notes that the "extraordinary" export effort to cope with the huge debt burden, now standing at $388bn, was almost cancelled out by falling export prices; and since capital inflows have dwindled, exports have become virtually the sole source of foreign exchange for Latin America.

After three years of accumulating foreign reserves, since 1986 the latter are being devoted to maintain essential imports and interest payments.

The report states: "In the period 1983-85, the region was able to maintain a merchandise account surplus of over $33bn thanks to its high real exchange rate and the fact that the developed countries were experiencing economic expansion, even though the terms of trade worsened for the region."

The report then warns bluntly: "The situation changed in 1986 and it is possible that the fall in this year's trade balance, far from being simply circumstantial is the beginning of a trend. If that is so, in combination with the fact that international reserves cannot continue to shrink at the 1986 pace, the outlook is ominous for the region's balance of payments in 1987 and, fundamentally, for the servicing of its debt."

Parallel with this, the study reveals that social expenditures have declined since the onset of the debt crisis although the population has continued to grow. As a result, health conditions in some countries are now worse with a resurgence of diseases such as malaria. "This neglect of the social sectors constitutes a mortgage that will eventually fall due," the report concludes.

Carter calls for Panama polls

FORMER President Jimmy Carter, marking the 10th anniversary of the Panama Canal treaties yesterday, said the people of Panama should be able to decide on their goverment in free elections, Reuter reports from Washington.

Mr Carter, who with Panama's then-leader, the late General Omar Torrijos, signed the 1977 treaties which provide for passing control of the canal to Panama, said the military should withdraw from politics.

He said: "On that day 10 years ago, Omar Torrijos and I spoke about how our two nations could become lasting partners. He told me that could only happen if Panama were to become a democracy, and he pledged his commitment to that goal.

"I am sure that General Torrijos would be very disappointed by recent developments in Panama.

Brock hails American industrial 'teamwork'

THE US Labour Secretary, Mr William Brock, yesterday hailed the spirit of co-operation between US management and labour and said such teamwork was helping America hold its own against foreign competition, AP reports from Washington. He was speaking on America's Labour Day.

Guatemalan spending plan sparks business protests

BY ANSON NG IN GUATEMALA CITY

GUATEMALA'S Christian Democrat Government's proposal for a substantial increase in state spending in its 1988 budget presented to Congress last week, together with sweeping plans for tax reforms, has unleashed a wave of protests from opposition politicians and the business sector.

Business leaders have threatened to take retaliatory measures following the Government's refusal to consider major revisions before submitting the economic package to Congress. This is dominated by Christian Democrat deputies and tends merely to rubber stamp the Cabinet's policies.

The package contains politically sensitive changes in tax rates aimed primarily at upper-income individuals and corporations as well as legislation to stop widespread fiscal evasion.

The main concern for the authorities is that producers in the private sector would pass on the tax burden as additional costs to the consumer or that opposition leaders would incite public disorder by turning public opinion against the Government. The influential business community, which succesfully resisted fiscal reforms during the forme military government of General Mejia, has urged the civilian government to tighten its belt in theface of continuing state corruption and inefficiency.

The Government, backed by key factions of the military, believe that mild social and economic reforms would curb the political instability instigated by left-wing guerrilla movements. In his memorandum to Congress, President Vinicio Cerezo justified the expansionary budget as a means of improving the education, health and nutrition needs of the impoverished rural communities.

Government spending, after rising by more than 22 per cent in 1987, is set to rise by another 15.5 per cent next year,

More than 72 per cent of budget receipts is to come from taxes while the rest would be raised from the issue of government bonds, foreign loans and asset sales.

Recurrent expenditures will also see a significant increase mainly because of the agreement on wage rises reached with the labour unions. However, the single largest item is repayment on the country's $2.4bn debt which is set to rise by more than 19 per cent because of maturing short-term amortisation obligations.

According to the budget estimates, the deficit will be cut from 3.3 per cent of gross domestic product in 1986 to 2.4 per cent of GDP in 1988. This assumes continued real gross national product growth of more than 2 per cent (compared with zero growth in 1986) with inflation projected to return to below 10 per cent.

Tim Coone on Argentina's mid-term elections

Alfonsin's Radicals put brave face on poll result

THE RULING Radical Party (UCR) was yesterday trying to put on a brave face to hide the surprise and bitter disappointment of its overwhelming defeat in Argentina's mid-term elections held on Sunday.

As results flowed in overnight and it became clear that victory would go to the populist Peronist Party, Mr Marcelo Stubrin, a close adviser to President Raul Alfonsin and member of the UCR national committee, chose an optimistic tone: "The elections have been a triumph for the system and have consolidated democracy in Argentina," he said.

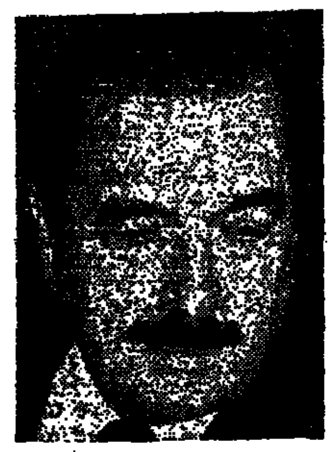
He was referring to the fact that it is the first time in 25 years that consecutive elections have been held in Argentina without a military coup intervening. He said a government of national unity "is now more necessary than ever" and admitted that the results had come as a surprise.

The defeated UCR candidate for the governorship of Buenos Aires province, Mr Juan Casella, one of the party's leading figures, said he intended withdrawing from politics "for a prolonged period", adding: "I have been a candidate that has not been able to overcome the difficulties of the national government."

Mr Antonio Cafiero, the leader of the Peronist Party and winner of the Buenos Aires governorship, meanwhile told reporters: "We are now the majority and the principal force in the country. We have enormous responsibility, not only to consolidate the democratic system, but also to bring economic progress and social justice."

With 83 per cent of the results officially confirmed, at a national level, the Peronists have won 41.5 per cent of the vote against the UCR's 37.2 per cent.

The governorship of the key province of Buenos Aires has changed hands from the ruling Radicals to the Peronists, as have the governorships of three other provinces. The UCR has lost control of the Chamber of Deputies in the National Congress, not only through the loss of an estimated 12 of its seats but also a further 10 seats that were formerly held by Peronist deputies that were allied to the Radicals. The UCR previously held a slim majority of only three of the 254 seats in the chamber.



Raul Alfonsin: defeated

Although still a minority, the new block of Peronists in the Congress, which was formerly deeply divided, will in future be more cohesive and able to bring a much stronger opposition to the government, which is now also a minority.

The alliance the Radicals had made with an important sector of the trade union movement, the so-called group of 15, will also be weakened as the representatives they controlled in the congress have almost all lost their seats. The labour minister, Mr Carlos Alderete, is linked to the group of 15.

In 1989, Mr Cafiero will not only be a powerful candidate for the presidency, but elections to the senate will also be influenced by the outcome of the voting on Sunday, as the senators are elected by the provincial governments which showed similar swings to the Peronists.

Yesterday afternoon, there was speculation that there would be an immiment resignation of the economy minister, Mr Juan Sourouille, who has been the principal target of attack by the trade union movement and the Peronist Party over the past two years. He was the chief architect of the Austral plan introduced in 1985 designed to reduce inflation

In spite of early success of the plan at the cost of falling living standards and growing political discord, inflation over the past three months has once again been rising sharply hitting real incomes

The defeat at the polls on Sunday for the government is already being widely blamed on the government's economic policy and early changes are therefore expected at Mr Sourouille's ministry.

What thus amounts to a defeat for the government throws its entire platform open to question in a number of key areas. Besides prices and incomes policy, other contentious issues will have to be placed on the negotiating table with the Peronists if the government expects to be able to run the country without being paralysed until the end of its term in 1989. These include interest rates policy, the negotiation of Argentina's $54bn foreign debt with its creditor banks and the International Monetary Fund, the proposed reform of the constitition, new labour legislation and reform of the armed forces.

This may necessitate more than just changes at the economy ministry. Mr Cafiero said yesterday he was ready to meet immediately with President Alfonsin to discuss the future course of the government, and hinted that he was prepared to consider the possibility of a coalition.

ARGENTINE ELECTION STATISTICS

On basis of 83 per cent of all results for 1987.

Elections for Deputies (per cent)

	1983	1985	1987
UCR	49.46	43.34	37.2
PJ	23.57	24.12	41.5
UCD	8.71	3.45	5.7
PI	5.87	6.08	2.0
Others	12.39	22.97	13.6

BUENOS AIRES GOVERNORSHIP (per cent of total votes)

	1983	1987
UCR	51.97	39.4
PJ	39.81	46.5
UCD	0.36	4.7
PI	4.1	2.8
Others	3.76	6.6

UCR Union Civica Radical (Radicals)
PJ Partido Justicialista (Peronists)
UCD Union Centro Democratica (conservative)
PI Partido Intransigente (centre-left

Others—includes all other parties, none of which obtained more than 3 per cent of the vote at national level. Includes spoiled vote.

WORLD TRADE NEWS

Royal Navy buys missile radar for use in Gulf

BY DAVID BUCHAN IN LONDON

THE ROYAL NAVY has fitted special missile detection radars to its four mine-sweepers bound for the Gulf and has bought an extra two sets of the Matilda radars made by MEL, the Sussex-based defence subsidiary of Philips, in case it sends more ships to the Gulf.

Thus, one of the first orders for defensive naval equipment resulting from the flare-up in Gulf fighting has been placed by the UK Government rather than the delegations from some 80 countries visiting the Royal Navy Equipment Exhibition (RNEE) in Portsmouth this week.

But the 155 exhibitors, representing more than 300 UK companies, reported keen preliminary interest in missile and mine countermeasures, particularly from Gulf states.

Lord Trefgarne, UK Minister for Defence Procurement, yesterday formally opened the RNEE show which is closed to all but invited guests, describing it as "the biggest and best yet."

For months MEL has been touting its relatively cheap and easy-to-fit Matilda radars for merchant ships plying the Gulf but until recently won custom from only two Greek tankers.

However, it is understood that just before leaving their home port of Rosyth, in Scotland, two weeks ago, the four Hunt class mineseweepers, which normally only carry navigation radar, were fitted with Matildas. MEL has also just won an order to fit Matildas to four Finnish navy fast attack boats.

The need for ships to supplement any missile distraction systems – such as the firing of canisters of aluminium chaff into the air – with missile detectors like Matilda was underlined at a Portsmouth press conference this week by Vice Admiral Sir Derek Reffel, the Navy Controller reponsible for all navy buying.

"It could be sensible to fit decoys, but you've got to know when to use them," he said.

Mr Colin Chandler, head of the Ministry of Defence's arms sales organisation, is co-ordinating the biennial RNEE show. He said UK prospects were best in the US and the Far East – apart from two big possible pending submarine and frigate sales to Saudi Arabia and Pakistan, respectively.

This was underlined by the news that Marconi Underwater Systems Ltd had taken the first step towards a potentially lucrative contract by getting a practice torpedo accepted by the US Navy for test and evaluation.

Ferranti, the UK electronics group, which has recently taken some knocks on Royal Navy contracts, will talk to a Chinese delegation this week about fitting its new submarine combat system into the 40 new submarines Peking plans to build and the 96 older submarines it plans to modernise.

● VSEL (Vickers Shipbuilding and Engineering) yesterday said it had won a £1m contract from the Ministry of Defence (MoD) to provide a weapon system simulator-trainer for the Type 23 frigate.

● Racal has won orders worth £5m ($8m) for its CANE command systems from Finland, Germany, Hong Kong, South Korea, and Sweden as well as the UK.

● Vosper Thorneycroft has won an MoD order for completion work on nine coastal training craft, whose hulls are being built by Watercraft of Shoreham, Sussex.

Turkey seeks revised bids for army carriers

By David Barchard in Ankara

THE TURKISH government has informed three consortiums bidding to manufacture armoured personnel carriers for the Turkish Army that it is changing the composition of vehicle types in the contract, and that they must submit revised proposals by September 4.

The contract will now involve the supply of 1,698 armoured personnel vehicles, slightly more than the original 1,533. Of these, 830 will be manufactured without incorporated weaponry.

The value of the eventual contract is expected to be in the neighbourhood of $700 to $800m.

The change is understood to follow the appointment of a new chief of staff of the Turkish General Staff and a new head of Turkey's Land Army.

From the point of view of the three rival consortiums, the changes will mainly affect the pricing of their bids. The three consortiums involved are Krauss Maffei of West Germany and local Ercan Holding; GKN of the UK and Bilar, a subsidiary of the Koc Group; and FMC of the US and the local construction group Nurol.

The governments of all three countries are understood to have taken an active part in pursuing the contract. Meanwhile bidders in many other large Turkish projects are resigning themselves to a possible wait of several months until general elections have been held and a new government is in office.

However, it is still thought possible that Mr Turgut Ozal, Turkey's Prime Minister, will push ahead with the award of a contract to build a giant power-station using imported steam coal and operating on the franchise model basis, known here as "build-own-operate-transfer."

A commission in the Setate Planning Organisation forwarded a shortlist of three top consortiums, with a recommendation fo rthe first to be built to the Prime Minister, 10 days ago.

Nancy Dunne and David Owen on talks to finalise a free trade pact

Time is enemy of US-Canada deal

THE ODDS against the world's two biggest trading partners striking a deal appear to be lengthening after 16 months of talks.

"It will be make or break time" when Canadian negotiators arrive in Washington on Wednesday, according to one US trade official. They will be trying to finalise a draft of a proposed bilateral free trade agreement.

"Miracles will be needed," he added, if a fully-fledged US-Canada trade pact was to emerge.

The most obvious enemy is time. If the substance of the pact is not delivered to the US Congress by October 5, the Administration of President Ronald Reagan will lose its "fast-track" negotiating authority allowing for a vote with no possibility of mischievous "killer" amendments. With this crucial deadline looming, the thorniest issues remain unresolved.

The negotiators themselves are keeping tight-lipped about specific differences. However, two Canadian proposals — distinct rules to govern US-Canada trade and a binding tribunal to settle disputes — recently attracted most of the criticism at a Senate finance committee press conference on the trade talks.

While the suggestion has recently surfaced that Ottawa might be prepared to accept an advisory conciliation tribunal with no binding powers, the Administration of Prime Minister Mr Brian Mulroney is officially pledged to reject any deal which omits these two central demands.

Even if a blueprint pact is stitched together in time for October 5, a host of other potential stumbling blocks lies in wait.

First, the pact's chief proponents, President Reagan and Mr Mulroney, are both considerably weaker than when negotiations were first proposed in 1985. This augurs badly for their ability to sell an agreement to Congress and the Canadian provincial premiers.

Protectionist sentiment is rife in the US, as evidenced by the potentially destabilising trade bill which will be negotiated on Capitol Hill after the recess.

In Canada many provinicial premiers will be loath to sacrifice the complex web of interprovincial trade barriers erected to foster regional development and protect local interests, unless they see sufficient tangible reward

The vital importance of their co-operation in American eyes was underlined recently by US Senate finance committee chairman, Mr Lloyd Bentsen: "The provinces must be subject to the terms of the agreement with respect to such matters as subsidies and government procurement," he said, "because that is where the US business community finds many of the most protectionist barriers to trade in Canada."

Premier Brian Mulroney

A better picture of how serious an obstacle provincial resistance is likely to be should emerge after September 14, when Mr Mulroney is hoping to present the premiers with a version of a trade agreement bearing the still disputed portions in brackets.

His chances of a favourable reception have probably diminished following the latest in a series of trade disputes to erupt between the two countries. Not long after grievances involving (among others) grain, wine and lumber, two further quarrels over potash and Canada's drug patent legislation have intensified, souring the atmosphere further.

So testy have relations become that a communique on August 27 from the provincial premiers requested the Canadian government to use "all strategic instruments" available to fight US trade harassment.

New Brunswick premier, Mr Richard Hatfield, meanwhile felt moved to add: "Actions taken with regard to softwood lumber, with regard to potash, with the (trade) bill that has gone to Congress are all indications that they are not being serious . . . in negotiating a trade agreement."

Such rhetoric also appears to have rubbed off on the Canadian public. A recent polls indicated that only half those surveyed now support a free trade agreement. Earlier polls had put the level of support at 57 per cent.

In spite of the unpromising rumblings from elsewhere, the respective chief negotiators remain positive in their projections.

The sceptical US trade official, meanwhile, is pinning his hopes on Mr Clayton Yeutter, the energetic US trade representative, who pushes intensely in negotiations and has rarely failed to find resolutions.

"He's pulled a lot of rabbits out of the hat," said the official. "But he will have to have a pretty damn big hat this time."

Tamura asks Congress not to punish Toshiba illegal sales

BY IAN RODGER IN TOKYO

Mr Hajime Tamura, Japan's Minister of International Trade and Industry, flies to Washington today to attempt to convince the US Congress not to pass legislation to punish the Toshiba electrical group for the illegal sales of sophisticated machine tools to the Soviet Union by one of its subsidiaries.

Mr Tamura will explain the revisions to Japan's foreign exchange and export control law, which were approved by the Diet last week. These are designed to prevent a recurrence of the Toshiba incident. He will also point to a number of measures taken by his ministry, MITI, to tighten up inspection of applications by companies to export goods to the Eastern bloc countries.

The US Administration has already indicated that it is satisfied with the measures taken by the Japanese Government, and it will recommend that Congress should not take any punitive action against Toshiba.

Both the Japanese and US Governments agree that the punishment should be left to the Japanese side. However, some Congressional leaders still wish to pass an anti-Toshiba bill.

Japan's revised trade control law raises prison sentences for those who violate export rules from three to five years, and increases the period of administrative sanctions on lawbreakers from one to three years. It is expected to come into force on November 11.

MITI has also responded to US pressure to increase its export control inspection staff. It has raised the staff from 42 earlier this year to 63, and plans to increase this number to over 100 by the end of the year.

Yesterday, Mr Tamura called in representatives of 150 industrial associations and told them that industrial companies would be expected to develop new internal procedures for making sure that no infringements occurred.

In particular, they should make sure that in the event of uncertainty about whether or not a sale is sensitive, a board member should make the decision, Mr Tamura said.

W Europe car production increases its world lead

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

WESTERN EUROPE increased its lead at the top of the world's car production league table in the first half of 1987.

Fuelled by record demand, West European car production bounded ahead by nearly 7 per cent to 6.4m, whereas output in all the other major production areas fell, leaving the worldwide total down 0.74 per cent at 14.74m.

The worst result was from Canada, where car production fell by more than 28 per cent to 434,947, because General Motors cut its output in that country by half.

The US production decline of 6.36 per cent to 4.01m also mainly reflected GM's current difficulties in its domestic market, where the share held by its Buick, Cadillac, Chevrolet, Oldsmobile and Pontiac cars fell from 43.4 per cent to 37.6 per cent in the half-year.

According to an analysis by the Automotive Industry Data group, car production in Japan also slipped by more than 2 per cent to 3.88m.

Among the European countries, France recorded the biggest first-half growth in output as its two domestic producers, Renault and the Peugeot-Citroen group, recovered lost ground with the help of new models.

Output in the UK was boosted by 12.4 per cent following a decision by both General Motors —using the Vaxhall name — and Ford to increase production in that country at the expense of imports from their continental European factories.

Belgium also benefited from the two multinationals' desire to switch some production away from West Germany, because of the steep rise in the value of the Deutschmark against other currencies in the past 18 months.

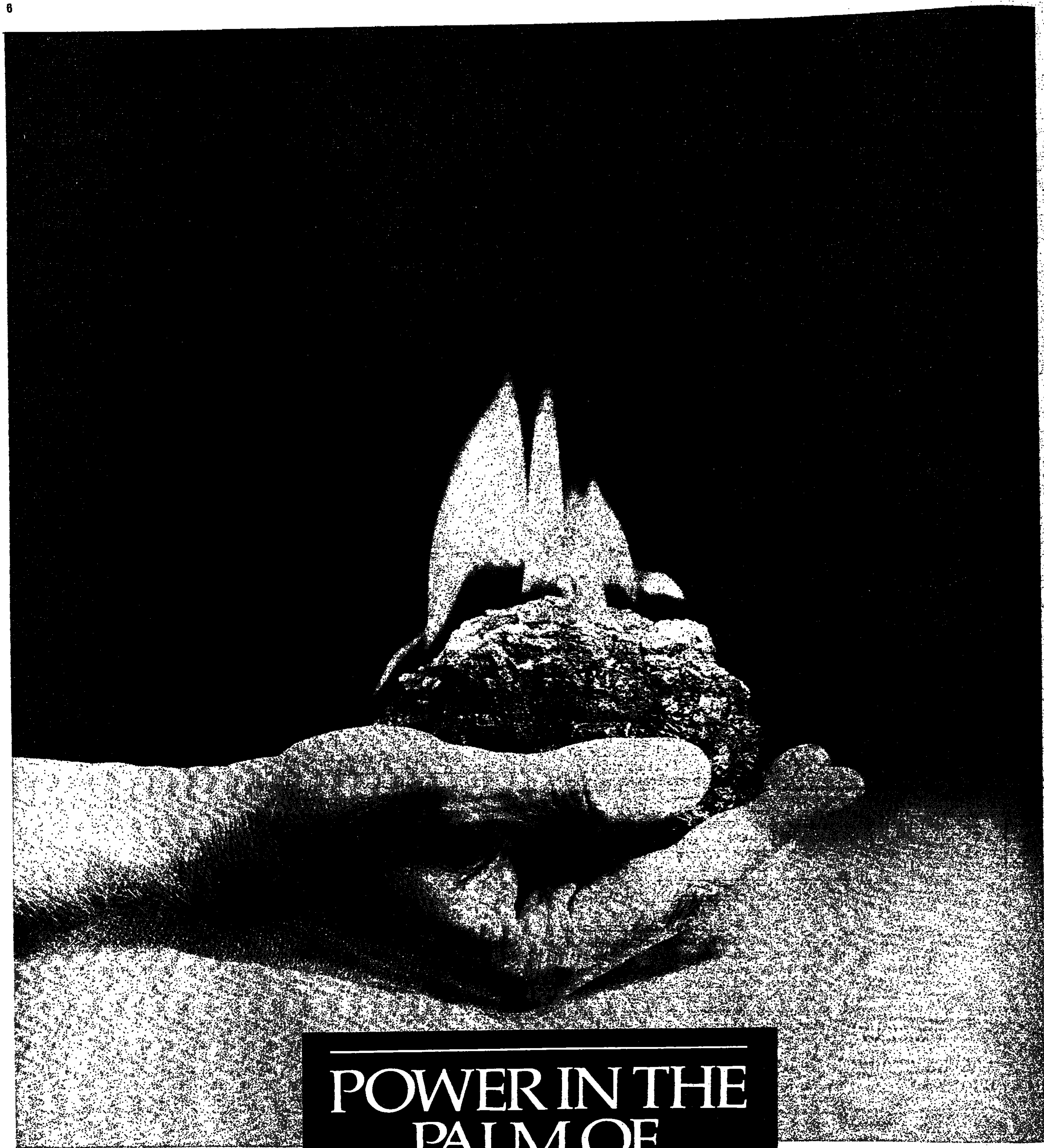
In spite of this trend, even West Germany, by far the major car production country in Europe, showed an increase in first-half output — but only 1.7 per cent, by far the lowest growth rate in Europe.

WORLD CAR PRODUCTION

	First half 1987	% share of world	First half 1986	% share of world
Belgium	141,892	2.21	127,633	2.13
France	1,613,058	25.13	1,428,057	23.78
Italy	949,811	14.79	884,218	14.73
Netherlands†	28,713	0.45	27,432	0.46
Spain*	603,483	9.4	563,216	9.38
Sweden*	190,251	2.96	184,119	3.07
UK	585,305	9.12	520,773	8.67
West Germany	2,307,446	35.94	2,269,299	37.79
Total W Europe	6,419,951	43.54	6,004,757	40.42
US	4,010,468	27.2	4,283,002	28.83
Canada	434,947	2.95	604,769	4.07
Japan	3,881,006	26.32	3,963,267	26.68
World total	14,746,572	100	14,855,795	100

† First three months. * First five months only.

Source: Automotive Industry Data



MANAGEMENT: Small Business

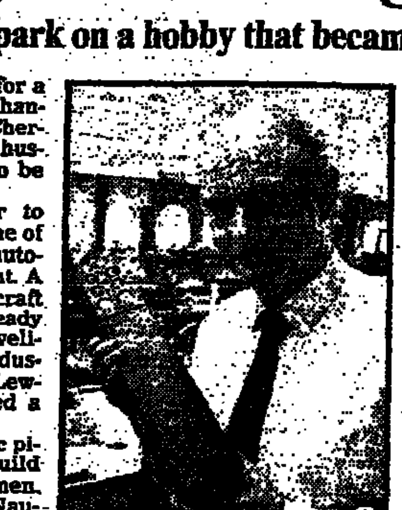
Navigational aids

Sailing into foreign waters

David Spark on a hobby that became a livelihood

IT TAKES about 12 hours for a family yacht to cross the Channel from the Solent to Cherbourg - a long time for a husband, wife, and children to be steering it.

Derek Fawcett's answer to this problem was to use some of his spare time to build an automatic pilot for his own yacht. A former De Havilland aircraft engineer, Fawcett had already turned his hobby into his livelihood by joining the boat industry as technical director of Lewmar, for which he designed a range of winches.



Derek Fawcett: aiming to integrate with other systems

Enthused by his automatic pilot, Fawcett decided to build them for his fellow yachtsmen. So, 13 years ago, he set up Nautech. Today, it employs 136 people and builds auto-pilots not just for yachts but, increasingly, for power boats and for customers all over the world. In the year to October, its turnover is expected to reach £6.8m, a quarter of the world market.

As Nautech has grown it has not only had to keep pace with the technical changes demanded by the market, but has also had to adjust its approach to its markets. Designing products for different types of craft has been one element of this; another has been to change the outlets through which the company reaches its cutomers.

Fawcett began with only five people; himself, his wife Frances, Heather Collyer (who is still his secretary), a production engineer and an assembly technician. He rented a workshop and offices at an economical rate from a company that was letting off part of its buildings. For capital, he sold his yacht and raised a bank loan with his house as collateral.

An automatic pilot was aleady on the market, but, maintains Fawcett, it was expensive, hard to install and heavy on power from the batteries. "I came in with a system that was easy to install, more realistic in power consumption and low in cost."

Nautech's pilot has a push rod which attaches to the tiller and keeps the yacht moving in a set direction. Yachtsmen can fit it themselves. In 1974 it cost £125. "It was very simple in electrical terms, but it worked well and was excellent at course-keeping," claims Fawcett. In the first year he sold it through advertisements in yachting magazines and achieved a turnover of £70,000.

The basic model now sells for £165. It has a redesigned compass, without moving parts, and a microcomputer which is even more sparing of battery power because it does not correct for the repetitive ebb and flow of waves.

An auto-button keeps the yacht on the course set by the helmsman. Linked to a navigation system, the auto-pilot can guide a yacht from point to point on a whole journey, just as a 747 aircraft is guided across the Atlantic. More elaborate auto-pilots, costing up to £2,500, can handle boats up to 200 tons.

Fawcett switched his marketing tack following an approach from Dick Lerner, who used to sell yacht advertising space in the US and who had given up his own business for health reasons. Lerner helped Nautech to switch from direct selling to selling through retail chandlers. "He was very strong on the need for total loyalty to retailers," says Fawcett. "A lot of companies attempt to sell in parallel with retailers. But you have to put yourself in the retailers' hands."

In 1979, Nautech's auto-pilot gained credibility by winning a Design Council Award. "By attending trade shows I was able to make contacts with retailers economically," says Fawcett. "It wasn't difficult to get them to stock the product. It sold well and gave them good margins."

Exports were an early objective, Fawcett having learned their importance at Lewmar. Nautech won a Queen's Award for Export in 1981. "We met foreign distributors through the London Boat Show. It has always amazed me how little regard this country has to its exhibition capacity. Paris has five exhibition parks."

Nautech sells as much in France and West Germany as it does in the UK. It sells to Australia, Hong Kong and to Taiwanese boatbuilders. The US, on the other hand is a big problem. "The American market requires a full-blooded entrance... You have credibility or you don't."

Nautech's first effort was not a success - though it "never actually made a loss" - but it won the company the services of a specialist American distributor with coast-to-coast representation. American sales grew rapidly to a quarter of turnover; so Nautech is now setting up a joint company with its American agent.

Since many American sales are for power boats, often for fishing, Nautech has shifted its emphasis to this sector, which is growing in contrast to the static market for yachts worldwide.

Another shift in the market is that sales are moving from the retailer to the boatyard. And with its products now much more of a standard fitting than an optional extra, Nautech is thinking of ways to provide a central intelligence - integrating the auto-pilot with other systems - instead of leaving the boat-builder to install different pieces of equipment from different makers.

Nautech employs 15 people on research and development, plus six production engineers. Fawcett sees the close link between design and production as basic to his company's progress. And he uses his own 41-foot yacht as a test-bed for products and ideas. The company's policy is to make everything it can itself, without sub-contractors, while checking that it is competitive with outside suppliers.

From modest beginnings, Nautech is now housed in a 38,000 square foot building at Anchorage Park on what was once Portsmouth's airport. It has an acre of land for extension.

Fawcett believes in keeping his staff in touch with what is happening in the company and feels the company's size enables him to achieve this. Consideration is currently being given, with advice from the Confederation of British Industry, to a profit sharing scheme. "I talk to people about where we've got problems and where we're doing right," says Fawcett. "People who join Nautech don't normally leave."

Why some companies fall by the wayside

SET UP A business in manufacturing and there is more than a fair chance that bad debts will be a significant factor if you go bust. But start out with a hotel or some other leisure related business and it is much more likely that bad management will be a prime contributory factor.

These are among the conclusions of a new study of business falures which has been sponsored by accountants Stoy Hayward and the National Westminster Bank.

The study, conducted by graduate students of the London Business School, produces no surprises with its principal conclusion; that is, that undercapitalisation is the main reason for businesses failing. This has long been recognised as the biggest weakness of small business and has been highlighted in many previous studies.

However, contributory, rather than primary, factors behind failures vary considerably between different types of business, says the study. For example, while the key contributory factors were financial among business in the manufacturing, wholesaling and distribution sectors it was poor management which dominated among retailing, construction and catering, hotel and leisure companies.

Significantly, the study found that the supposed North-South economic divide in the UK did not emerge in the evidence collected. Only in retailing and construction was it likely that failure was due to the geographical location of the business.

The study was based on the evidence of 437 failed businesses as supplied by just over 200 bank managers. It is acknowledged that because of the source of the data, there might well be an unavoidable bias towards financial reasons being cited for failures.

Overall, undercapitalisation was given as the primary factor in 54 per cent of failures and as a secondary factor in 77 per cent. Poor operations management was second and poor management accounting third. While marketing and sales management weaknesses were put forward as the key reason for failure in 16 per cent of cases, they were deemed to have been a contributory factor in 54 per cent. Increased competition was not seen as a major problem - it was the primary factor in only 8 per cent of failures - but it was a secondary reason in 40 per cent of cases.

In breaking down the business sectors the study suggests that the incidence of bad debts in manufacturing is probably due to the failure of small businesses to implement strong credit controls and to suspend continuing credit after non-payment of past debts.

Wholesaling and distribution have a broadly similar profile to other sectors, the only significant difference being that obsolete products feature more prominently as both a primary and contributory factor in failures - presumably due to overstocking of products that would not sell, says the report. The state of the local economy is less of a problem than it is in other sectors but, surprisingly, the report suggests, businesses in this sector have a relatively frequent problem with poor facilities, machinery and suppliers.

Poor marketing and sales management are greater reasons for failures in the retailing sector. Poor product quality is also a problem. Undercapitalisation is a greater than average problem in the construction industry - but that sector is less hampered by competition than the average.

Operations management is a major problem in catering, hotel and leisure industries, and labour relations are a more common problem than in other sectors.

Meanwhile, it emerges that the professional services suffer more than other groups from theft and dishonesty (which is usually perpetrated at the owner/manager level, says the study).

A Study to Determine the Reasons for Failure of Small Businesses in the UK. £20 payable with order from Mary Carroll, Stoy Hayward, 8 Baker Street, London W1M 1DA.

How the BOTB can help exporters

A GOVERNMENT scheme to help British companies win export markets for their products is intended to be of particular interest to small businesses.

The British Overseas Trade Board (BOTB), which comes under the auspices of the Department of Trade and Industry, last year supported over 6,900 firms exhibiting at 293 trade fairs in 40 countries.

"A lot of our help is directed towards small companies; companies exhibiting in a given country for the first time are likely to get the most generous terms," says a BOTB spokesman.

Any British company wishing to promote British goods overseas may be eligible for help from the BOTB's Fairs and Promotions Branch. But a company that has never ventured abroad - quite likely a small company - will find itself, paying less than half the normal costs of exhibiting at a trade fair under the BOTB's joint venture scheme.

The joint venture scheme has been operating since the early 1970s, and has grown to about 300 events annually worldwide.

In the first instance, a company interested in exhibiting at a particular trade fair must find a sponsor - a trade association or chamber of commerce - which is organising a group display at that fair.

These organisations are independent, and usually represent specific areas of industry. The Westminster Chamber of Commerce in London, for example, represents the water industry, some electronics products and what the chamber calls "upmarket" consumer products - which include gifts and fashion items.

Its membership represents over 600 different trades and professions, and most of those members have some interest in international trade.

"We think overseas exhibitions are the very best step for would-be exporters rather than trade missions or an independent sales effort. You very quickly see a large number of buyers and have a chance to assess the competition," says Jessica Segal, deputy chief executive.

The sponsor chosen by the small company must be approved by the BOTB, but many - such as the Westminster Chamber - are regular participants in the programme. A company does not have to be a member of the trade association concerned.

The BOTB and the sponsor then decide on a division of costs for certain responsibilities, such as publicity for the fair, the installation of telephones at the stands and so on.

Although the BOTB prefers not to use the term "subsidy", its financial assistance does substantially reduce the cost to a company of attending a trade fair, and in many cases makes such participation possible.

As a general rule, the charges to a company exhibiting for the first time on an individual stand will, in 1987, be 40 per cent of the BOTB's estimated direct costs.

Second time exhibitors will pay 55 per cent of costs, and others 75 per cent of costs.

These charges do not include freight, travel, local hotel accommodation and insurance, but sponsors may help with some of these arrangements.

The sponsor also handles applications for travel grants, which the BOTB offers for events outside western Europe.

Extremely favourable terms apply in the case of Japan, where the cost of return surface freight for exhibits is paid by the BOTB up to certain limits. Travel grants are also available at the full rate for companies exhibiting at a particular event there for the fourth or fifth time.

One small business recently exhibiting in Japan for the first time through the Westminster Chamber had to pay just £100 for one person's travel, with the £5,000 in freight paid for by the BOTB.

Freight charges must be paid for and then reclaimed, however - a process that has led to complaints of a slow bureaucracy at the BOTB that can result in temporary cash-flow problems.

A management fee must also be paid to the sponsor by each company for organising the group, and this fee may be higher for non-members. But this includes general advice about exhibiting overseas and the sponsor normally staffs an information stand for the use of buyers as well as sellers at the exhibition.

Plans to participate in BOTB-supported trade fairs have to be made well in advance - the sponsor usually makes the initial approach to the BOTB nine months before the exhibition opens.

Forms currently available from the Westminster Chamber, for example, include those for the Internepcon/Semiconductor exhibition in Korea in March 1988, the National Bath, Bed & Linen Show in New York in May 1988 and the International Gift Fair in New York in January 1988, which has a closing date of September 10.

Costs are broken down on the forms by space allocations in sq ft and are higher for non-members. For the New York International Gift Fair, for example, non-members would be charged £1,238.50 for 110 sq ft if they were exhibiting at this fair for the first time.

Charges would rise to £1,557.50 for second-time non-members, and then up to £1,975.50. On top of exhibiting costs, the management fee to the chamber would amount to £350 + £52.50 VAT.

Travel grants by the BOTB to New York per person for up to two people to travel from the UK would amount to £260 for first, second and third time participation.

The BOTB's contribution to travel costs, although still considerable, has declined across the board since last year.

Commitment to providing opportunities for overseas trade remains firm, however. According to an occasional paper written for the BOTB: "The fact that over half of the applicants for the Queens Award for Export achievement came from small firms reflects the dynamism of this sector."

Access to the BOTB is available through one of 10 regional offices, or at at 1 Victoria Street, London SW1H OET (01-215-7877).

Dina Medland

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TECHNOLOGY

EAGLE EYE

by Louise Kehoe

Car electronics: Pumped up and on the right course

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Now the fantasy is rapidly turning into reality, and automobiles are quickly becoming loaded with computer chips.

The average value of electronics incorporated in a car today totals about $900 including fancy stereos, dashboard indicators, automatic speed controls and engine control systems. And by the end of this decade, the figure will jump to an average $1,400, analysts project.

As part of this trend, a new electronic indicator will appear upon the dashboards of some US car models for 1989. It will tell drivers when their tyres are going flat.

This electronic tyre pressure sensing system is being developed by Sensym of Sunnyvale, California, under contract to Michelin, the French-based tyre manufacturer. It will provide a constant digital dashboard display of the air pressure in all the vehicle's tyres, including the spare. By using a silicon sensor in the wheel, air levels are transmitted to a microprocessor and liquid crystal display in the car's dashboard.

The advantages of on-board tyre-pressure sensing are numerous, Sensym points out. In addition to the obvious safety aspect, it will ensure that properly-inflated tyres wear evenly and that the ride characteristics of the car are optimal.

Perhaps even more in the James Bond mould is an electronic navigation system which has become the ultimate in automobile add-ons among Californian Yuppies. Singer Michael Jackson apparently boasts one in his Mercedes-Benz, and as many as 2,000 other, similarly well-heeled West Coast residents have forked out $1,000-$2,000 to make sure they won't get lost in and around Los Angeles and San Francisco.

The 'Navigator', produced by Etak of Menlo Park California, displays an electronic road map on a small video screen in the front of the car. Using a series of buttons to select from menus, the driver programmes the system to work out the best route to his selected destination.

The car is shown as a flashing blip in the centre of the screen and as the vehicle moves the display automatically adjusts the map to show the immediate surroundings, and indicates the route to be followed.

Vehicle navigation systems are not new. Several companies have developed ways to track the location of cars, buses, tanks and all sorts of land-based vehicles over the past 20 years. The difference with the Etak system is that it is relatively inexpensive and far more flexible and easy to use.

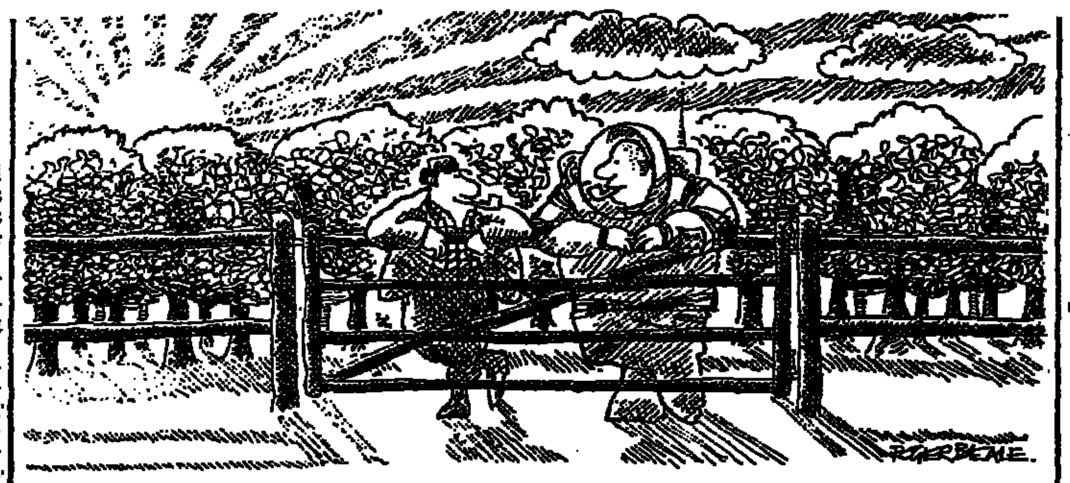
Most previous vehicle navigation systems have relied upon beacons that transmit signals to act as electronic landmarks to gauge the current position of the vehicle, or upon satellite communications.

A major advantage of the Etak system is that it is self-contained within the car. To calculate the vehicle's position, the system uses dead reckoning based upon data collected from a compass on the roof of the car and sensors on its wheels.

The system has wide potential for use in fleet vehicle management. California's transportation agency, Caltrans, is, for example, testing the system in snow ploughs used to keep roads open in the Sierra mountains during the winter

An essential aspect of the 'Navigator' is a digitised map. To date, Etak has developed electronic maps of many of the major cities in the US. Now the company is looking further afield mapping major cities in Europe.

A licensing agreement with Blaupunkt-Werke gives the West German car stereo group rights to the European market and the company is expected to introduce the Navigator in Europe under its own name by 1989.



What Nasa was up to among the Californian walnut trees

WHAT was a bunch of Nasa scientists up to suspending gadgets from cranes above a California walnut orchard last month? Nasa, in fact, was testing equipment that it plans to send into space in the mid-1990s on an orbiting spacestation.

The goal is to create a system that can predict droughts and spot major infestations of plant disease from space. Ultimately it could have a major impact upon agriculture worldwide.

Before investing millions of dollars in the Earth Orbiting System, however, Nasa's scientists needed to test their equipment closer to earth. 'The point is to do an experiment before we send instruments into space,' explained Steve Wall of the California Institute of Technology's Jet Propulsion Laboratory in Pasadena, California.

'If something goes wrong here, we can fix it in 10 minutes. Not so in space.' Using instruments that measure the light reflecting properties of plants and the moisture content of leaves and soil, the scientists were able to determine the health of the walnut orchard.

From space, the same instruments will be able to analyse an area one third the size of a football field and detect 20 per cent changes in soil moisture.

The Earth Orbiting System, over a 15 year period, may be able to provide scientists with the first 'big picture' view of the global hydrologic cycle and climatic cycles. In the meantime, the Nasa crew plans to cart its equipment off to a cotton field in Fresno County, where it will no doubt raise more laughs from local farmers.

These bugs eat coal and breathe liquid fuel

BIOLOGICAL processing could be the answer to finding new fuel resources for travel, or electricity generation, according to researchers at the Electric Power Research Institute in Palo Alto. They are experimenting with genetically engineered bugs that can transform coal into more useful liquid or gas fuel, and to remove sulphur and other impurities that cause air pollution when coal is burned.

Experiments in the early 1980s turned up the surprising fact that a common wood rot fungus can transform coal into a liquid. Building on this discovery, EPRI researchers last year isolated a key enzyme in the fungus that dramatically speeds up reaction times. This may open up the possibility of using the enzyme to liquify coal underground, then pumping the converted fuel to the surface like oil.

In similar work, Houston Lighting & Power Co. is exploring the use of methane-producing bacteria to gasify coal. The utility is considering using caverns carved out of salt domes as reaction chambers for producing the biogas, which would then be used to run combustion turbines.

The first commercial application of coal biological processing may, however, turn out to be a purification process that removes sulphur from the solid fuel before it is burned.

Although conventional coal-cleaning methods remove some of the pyritic sulphur particles in coal, they cannot remove the organic sulphur that is bound chemically into the coal molecules. More than half of the sulphur in some coals is in organic forms. EPRI researchers have developed a genetically altered bug that removes organic sulphur by breaking the chemical bonds in the coal structure.

The potential implications of the biological processing experiments are immense in a world with dwindling oil reserves and a seemingly insatiable appetite for liquid fuels. Although much of the research is in its infancy and there are major questions to be answered concerning the economic and technical feasibility of these new fuel processing methods, they appear to point the way toward providing a major new source of fuel.

According to experts there is enough coal in the world to fill foreseeable needs for centuries.

How to avoid the fag-end of tobacco smoke

AS ANY recent visitor to the US will know, smoking is a habit that is widely regarded as anti-social, and in many places is prohibited.

Policies to restrict smoking in the workplace and public buildings have been implemented in 17 states and hundreds of municipalities. But these regulations have created a tricky problem for employers who are now required to provide smoke-free environments for their non-smoking workers.

A tool that may help to ensure that companies adhere to local smoking regulations, and which may also be used by individuals who want to avoid exposure to 'second-hand smoke' has been developed by Assay Technology of Palo Alto, California.

The 'Smoke-Check' monitor is a disposable badge that measures exposure to tobacco smoke. The badge contains a strip of material pre-treated with a chemical catalyst that changes colour when it is exposed to carbon monoxide. The badge is sensitive enough to detect 10 parts per million of carbon monoxide in air, which is equivalent to the smoke produced by one tenth of a cigarette.

SMOKE-CHECK is sold in the US in packages of 20 badges for $95.

Europe must invest to keep advantage in custom chips

BY TERRY DODSWORTH, INDUSTRIAL EDITOR

SINCE the 1985 slump in the world semiconductor market, the development of the industry has split into two clearly discernible trends. On the one hand, the big established manufacturers have been steadily rationalising their activities through mergers and takeovers. On the other, a large number of small new entrepreneurial ventures is continuing to emerge, belying the view that chip production is heading for middle-aged maturity controlled by a handful of large-scale international corporations.

The main reason for this continuing dynamism lies in the relatively immature area of custom and semi-custom chips. These products, designed with the specific requirements of a particular end-user in mind, are a natural breeding ground for the new generation of semiconductor companies. Neither the design nor the production technology for them is standardised as yet, creating the opportunity for adventurous new techniques and specialised marketing approaches.

The speed with which this new technology is being adopted is underlined in a new study on the market by Semstat, a recently-launched UK-based market research company. Semstat estimates that in the current year, the consumption of these specialised devices will jump by 29 per cent in Western Europe alone, well above its forecast of 18 per cent growth for the integrated circuit industry as a whole. Over the next five years, it is forecasting a compound growth rate of just under 26 per cent.

If this expansion rate is maintained as forecast, it will radically change the face of the semiconductor industry in Western Europe. By 1992, says Semstat, it would mean that the market for what it calls User Specific Integrated Circuits would be the largest single sector in the integrated circuit market, generating sales of about $2.7bn against $2.2bn for memory devices. USICs would then account for a little over 26 per cent of European chip sales, estimated to have reached $10.3bn in total.

What will be the likely impact of this change in the current structure of the industry? First of all, says Peter Savage, head of Semstat, the number of new companies entering the field will continue to rise for several more years yet. Five years ago, he reckons there were probably around 50 USIC design or manufacturing concerns in Europe; today there are closer to 100, and by 1992 he expects the number to have grown by at least another 30 or so.

This view is in conflict with the more conventional notion that a shake out among USIC manufacturers is just around the corner, caused by over-hasty expansion during the last few years. Instead, says Savage, the opportunities thrown up by market growth will encourage

ESTIMATED INTEGRATED CIRCUIT CONSUMPTION

Total Europe — $ Million

1987

Microprocessor	760
USIC	861
Memory	917
Linear (analogue)	922
Standard Logic	1037
Total	$4496

1992

Linear (analogue)	1495
Microprocessor	1890
Standard Logic	2029
Memory	2205
USIC	2721
Total	$10340

Source: SEMSTAT

further entrepreneurial investment by new start-up operations. Many of these will be design companies rather than fully-fledged manufacturers.

Second, it is by no means clear which technology, if any, will come to dominate production. User specific (or applications specific) integrated circuits currently come in three main categories - those that are entirely hand-crafted for a particular requirement, or those that are built to semi-customised patterns using gate array or cell-based methods.

Cell-based products, in which a designer assembles the final chip by chosing pre-designed cells from a "library" for different functions, looked to be the most promising process up to a year or so ago. But gate array methods, which involve changing only one level of the chips where the circuit connections are made, have become significantly more sophisticated over the last few months, and have the advantage of greater design speed.

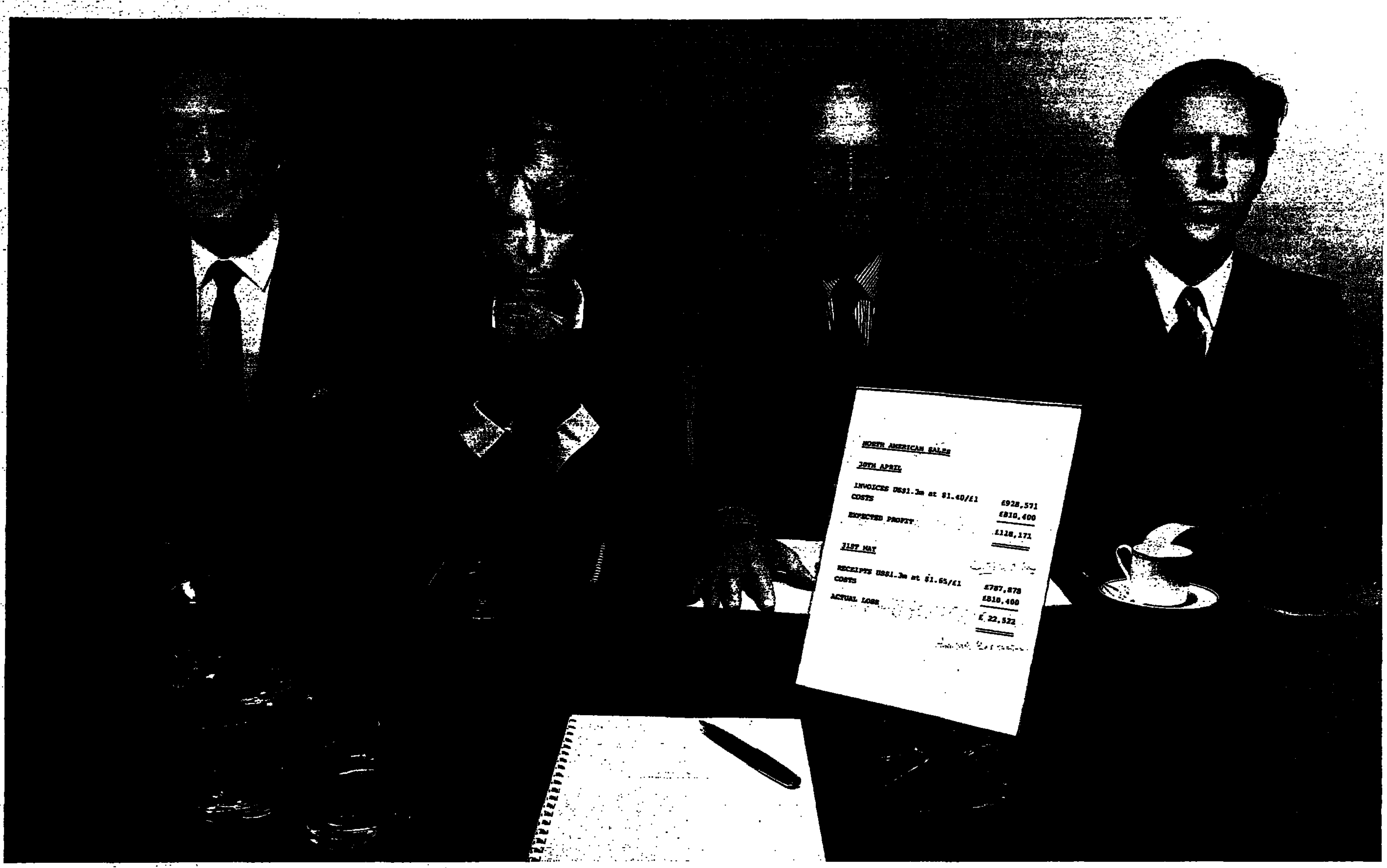
Third, the growth of the USIC market gives European semiconductor manufacturers the best chance they have had in years of fighting back against their more powerful American and Japanese competitors.

This is partly because success in the USIC business depends to a considerable degree on design skill, an area where Europe is reasonably competitive, as against manufacturing organisation, where European companies are notably weak. But it is also related to the structure of the USIC industry, which demands local design offices situated as closely as possible to end users. At present, Semstat calculates that there are almost 280 design centres scattered around Europe.

In this situation, the European semiconductor industry, traditionally small-scale and fragmented, has the advantage of being on the ground and closer to its customers than some of its overseas competitors. Indeed, compared to the big Japanese companies, which are only just beginning to penetrate the European market in any numbers, and will therefore need to fund a large investment in design office networks, the indigenous Europeans have a significant advantage.

Even so, says Savage, this opportunity will only last for a few years as Europe's international competitors come to grips with the problem. "It really depends on the amount of investment European companies are prepared to put into product architecture, technology and networks."

In this context, it may be significant that one of the strongest positions in the market today is occupied by LSI Logic, the Californian company which launched itself as an entirely specialised USIC manufacturer a few years ago. LSI probably has more design offices in Western Europe than any other producer already. That, in itself, must contain a warning for the indigenous producers.



APPOINTMENTS

Board changes at Rolls-Royce

The following appointments have been made by ROLLS-ROYCE from October 1. Mr J. O. Keir becomes director—supply following the retirement of Mr F. T. Salt on September 30. Mr F. Turner relinquishes his post as director—industrial and marine to become director civil engines in succession to Mr Keir. Mr J. Ferrie, currently director repair and overhaul, is appointed director—industrial, marine and repair business. Mr P. F. Macfarlane becomes director of corporate development.

★

Mr Peter Trew, an executive director of RUSH & TOMPKINS GROUP, is retiring at his own request at the end of September. He will remain on the board as a non-executive director.

★

Corporation of Insurance and Financial Advisers' CIFA SERVICES has formed the following board: Mr John Hale, chairman; Mr Peter Stubbs, secretary; Mr Terence Gibson, Mr David Cramer and Mr Graham Stuart-Hill, directors.

★

HALL ENGINEERING (HOLDINGS) has appointed Mr Ian F. Donald as a non-executive director. He is deputy chairman of GKN.

★

EXCO INTERNATIONAL has appointed Mr Geoffrey Dunn as group finance director. He was head of finance and planning of the global banking division of Midland Bank.

★

GIRDLESTONE PUMPS has appointed Mr A. G. Salisbury to its board. He joins from the School of Mechanical Engineering at Cranfield Institute of Technology where, for seven years, he was course director in pump and valve design.

★

Mrs Hilary Langley has joined R. WATSON & SONS, consulting actuaries, as pensions legislation co-ordinator. This is a new post created in response to the demands of the increased legislation and regulations affecting pensions. Mrs Langley was secretary and controller of the Occupational Pensions Board and since 1985 has been with the National Association of Pensions Funds as pensions legislation specialist.

★

RUGBY SECURITIES has appointed Mr Andrew Wilson as a director. He was chief investment surveyor of Royal Life Holdings, a wholly-owned subsidiary of Royal Insurance.

★

FREIGHTLINERS has appointed Dr Stuart Timperley, a non-executive director, as chairman. This follows the retirement of Mr Bryan Driver, chairman and managing director. Dr Timperley is director of the Centre for Management Development at the London Business School. He is a director of International Leisure Group and board advisor to Allied Breweries.

★

Mr Victor Parker has been appointed new business director at BOWRING LONDON, part of Bowring UK.

★

Mr Jasper Archer has been appointed vice chairman of GRANDFIELD RORK COLLINS FINANCIAL. He joins from Charles Barker City, where he was a vice chairman.

★

D. J. FREEMAN & CO has appointed Mr Colin Joseph, a senior partner in the litigation department, as chief executive.

★

Mr Ray Hill, formerly assistant general manager (operations) of the Prudential's general business division, will be joining the IRON TRADES INSURANCE GROUP on October 1 as chief executive designate.

New post at Polly Peck

Mr Anthony Reading, group managing director of Polly Peck International

Mr Anthony Reading has been appointed to the board of POLLY PECK INTERNATIONAL as group managing director, a new post. He joins from BTR where he was group chief executive, manufacturing engineering (Europe).

★

The ELLIOTT GROUP has appointed Mr Ed Smyth to the board with particular responsibility for marketing. He joins from the JT Group, Bristol, where he was marketing director.

★

Mr J. Valentine, deputy chairman of FISONS and chairman of the pharmaceutical division, will retire on December 31. He will be succeeded as division chairman by Mr G. P. Fothergill, managing director of the division, who also becomes a member of the main board.

★

SEQUENT has appointed Mr Geoff Simonds as European director of finance, based in Amsterdam. He was financial manager.

★

Mr Rob Jeens has been appointed finance director of KLEINWORT BENSON SECURITIES and also of Kleinwort Grieveson Securities. He was a partner with Touche Ross.

★

Mr Martin Fowler has been appointed group financial controller with the WARD GROUP, Sherburn.

★

Mr Bill Clarkson has been appointed financial director of the WSJ GROUP, Oswestry.

★

Mr Norman Mazure has been appointed chairman of the SHIELD GROUP following the resignation of Mr Geoffrey Lawson from the board. Mr Ashley Rubin has been appointed group chief executive. Mr Mazure and Mr Rupin were previously joint chief executives of the group.

★

ALEXANDERS LAING & CRUICKSHANK CORPORATE FINANCE has appointed Mr Thomas Jowitt as its industrial consultant in the North of England. He is chairman of Robt. Jowitt & Sons, Bradford.

★

Mr Nigel Appleby has been appointed divisional chairman of the newly-created communications division of the MICRO-SYSTEMS GROUP. He remains group finance director and company secretary. The division has been formed following the acquisition of the Raitel Group, and also incorporates Calloc.

★

Mr John Worby has been appointed group finance director of UNIGATE. He was finance director of Unigate's Wincanton group.

★

Mr Peter A. Anker has joined the board of VIKING PROPERTY GROUP. He was president and chief executive of Markborough Properties, Canada.

★

Argyll Foods restructures

Mr Paul R. Highett-Smith, managing director, trading takes over general responsibility for buying and trading for the enlarged ARGYLL FOODS business (including Safeway Food Stores). A new integrated buying structure has been developed combining senior executives from both the Presto and Safeway buying and procurement teams. Mr David B. Bootle, Safeway marketing director, assumes additional responsibility for Presto marketing and for Argyll Foods own label department.

★

Mr John R. Winter has been appointed chief executive of the retail and fashion division of COATS VIYELLA with responsibility for Jaeger, Country Casuals, Jean Muir and the Viyella Ladieswear businesses. He was deputy group managing director of Laura Ashley.

UK NEWS

Unions agree on radical review of organisation

BY PHILIP BASSETT, LABOUR EDITOR

THE Trades Union Congress yesterday voted overwhelmingly to establish a far-reaching review of union organisation and purpose in the light of sweeping changes in the labour market and the accelerating growth of non-unionism.

TUC leaders will begin next week to start the ground work on the review, which will be perhaps the most searching self-examination UK unions have ever carried out.

The two-hour debate at the TUC's annual congress in Blackpool on union organisation, including the controversial strike-free, single-union agreements now being signed by some unions, was notable in being much less of a bitter inter-union wrangle than had been widely forecast.

But equally it reinforced how difficult a job the review will have in trying to draw up solutions to the unions' current problems of declining membership and loss of influence when the differences between individual unions on how best to respond to these difficulties are so deep.

TUC leaders currently have few real ideas on how to deal with one such response, the immediate and most pressing issue of strike-free deals, which have been mainly signed by the EETPU electricians' union with foreign, often Japanese, companies operating in the UK.

Internal union efforts this summer to define minimum acceptable standards for union recognition deals with employers have proved largely unsuccessful, and the opposite approach – the carrot rather than the stick – of giving particular unions a clear run at non-union companies providing they do not sign such agreements, which has been proposed by Mr Norman Willis, TUC general secretary, has been widely criticised within the unions.

Even so, a relieved Mr Willis said after the debate: "We are where I hoped we would be" in seeing the review established with only limited infighting between affiliated unions, although he described the debate as "very robust."

The TUC's statement establishing the review was carried by a vote of more than 9-1, with only a handful of unions representing a little over half a million members voting against it.

If the problems over such deals can be resolved, the review will then turn to much deeper issues for unions, such as the spread of non-unionism.

In a congress widely seen as much more polished and US-like than the TUC has ever seen – delegates were shown a specially-made promotional video on trade unionism – Mr John Edmonds, general secretary of the GMB general union, warned of declining union density in the US and said: "Forget the American dream. What this movement has to avoid is the American nightmare."

Conference reports, Page 16

Agreement over export credits removes last obstacle to reform

BY PETER MONTAGNON, WORLD TRADE EDITOR

THE LAST obstacle to reform of Britain's system for financing medium-term export credits was overcome yesterday when the Export Credits Guarantee Department (ECGD) and banks in the City of London agreed on a compromise end to their bitter dispute over refinancing a 10-year-old loan to the Castle Peak power station in Hong Kong.

Following the compromise the main banks involved signalled their acceptance of the new export credit rules in the form of a letter written to the Bank of England on behalf of the Committee of London and Scottish Clearing Bankers by Mr Michael Madden, a senior executive of Standard Chartered Bank.

The Bank is expected to announce at the end of this week that formal agreement has been reached on the reforms which involve a new set of interest margins on export credits as well as proposals to refinance ECGD's existing portfolio of export credits in the international capital markets.

The agreement on export credit reform marks an end to 18 months of negotiation between the Government and the City which nearly foundered at the last minute after ECGD had upset its bankers by insisting on tough terms for refinancing the Castle Peak loan for a further 3½ years.

Under a compromise solution this refinancing will go ahead at a margin of just ³⁄₁₆ per cent over money market rates, but all similar refinancings in future will carry the higher margins set out in the new rules for export credits. These are due to come into force on December 1 and last for five years until November 1992.

The Bank of England is meanwhile shortly due to establish working parties of bankers and officials to examine the mechanics of refinancing ECGD's £10bn portfolio of export credits in the capital markets.

Scots try to sell nuclear bunker

By James Buxton

THE SCOTS – hitherto reluctant supporters of privatisation – have suddenly become among the most daring practioners of the art.

Lothian Regional Council is attempting to sell off a 50-room nuclear bunker, most of it buried 100 feet beneath Edinburgh – believed to be the first of its kind in Britain to go up for sale.

The bunker was to have been used in a nuclear war as a regional seat of government – a refuge for civil servants from which to direct our post-holocaust existence.

But the Environment Department abandoned it in 1984, and the shelter reverted to its landowner, the regional council, which under Scots law has the right to acquire any "improvements" a tenant might have made to the site.

Mr Bob Fowler of the council's estate surveyors department said: "It's what we call in council jargon 'surplus to our requirements.'" The council, he believes, has made other arrangements for protection against nuclear attack.

Mr Fowler thinks that the 37,000 sq ft of bunkers and surface buildings, on or inside Corstorphine Hill in Edinburgh's western suburbs, would make an ideal secure property – for the storage of financial documents or works of art from a museum, for example. More bucolic purposes such as mushroom farming have been suggested.

Several people have already expressed interest, even although the shelter has only just gone on the market.

There is no question of a fixed price: the Labour-controlled council is going to see what price market forces produce in the form of tender offers.

Alice Rawsthorn looks at change of mood in previously beleaguered industry

New backing boosts carpet prospects

NEWS emanating from the beleaguered British carpet industry has been unremittingly bleak for the past decade.

Yet in the past year or so the mood has changed, and the carpet manufacturers have a more cheerful tale to tell.

Whereas the early 1980s were marked by the decline of the carpet industry, the middle part of the decade has been characterised by its reconstruction. In the past two years, the industry has been enveloped in takeover activity. Many long-established businesses have changed hands, and two groups – Coats Viyella and John Crowther – have emerged as the dominant forces in the market.

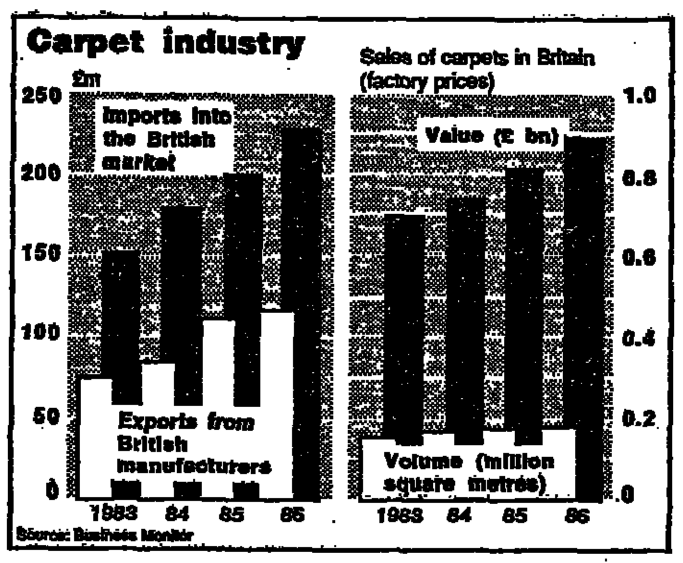
This period of restructuring has been accompanied by a strategic change in the British industry, as manufacturers wield marketing as a weapon with which to stave off imports. When the Harrogate Carpet Fair opens today it will find the industry in better shape and a more optimistic mood than for many years.

The problems of Britain's carpet manufacturers began in the mid-1970s when the combination of cheap imports, economic recession, draconian retailers, poor management and over-capacity threw the industry into turmoil.

Imported carpets, first from the US and then from Belgium, began to flow into Britain in the early 1970s. The influx from the US was halted by the strength of the dollar. But the Belgian carpet industry, helped by a weak currency and a supportive government – unfairly supportive, so the British industry claims – gathered momentum.

As the spate of imports accelerated, the British economy plunged into recession. Carpet sales suffered alongside other consumer sectors. For the British industry, which had invested enthusiastically in new capacity during the early 1970s, the slump could scarcely have come at a worse time.

All these problems were exacerbated by the intense price pressure imposed on carpet manufacturers by the "pile 'em high and sell 'em cheap" multiple retailers such as Harris Queensway and Allied Carpets, which were then expanding and now absorb one fifth of all carpet sales.



Source: Business Monitor

Instead of leaving commodity carpets to the Belgians and concentrating on the less price-pressured middle market, British manufacturers made the fatal mistake of succumbing to retail pressure and diving down-market in an ill-fated attempt to compete with cheap imports.

This mistake cost the British carpet industry millions of pounds in lost market share and tens of thousands of jobs. Companies closed, and long-established brand-names disappeared.

However, in 1985, two deals took place which were to change the shape of the industry. Coats Viyella, then Vantona Viyella, bought Nottingham Manufacturing which embraced Lancaster Carpets. In the same year, the John Crowther Group, then little more than a shell company, acquired Carpets International and Weavercraft.

Both companies have spent the past two years engaged in the rationalisation and restructuring of these businesses. Plants have been closed, production integrated and new equipment installed. Coats and Crowther have also repositioned their carpets within specific sectors of the market-place. Product ranges have been streamlined to concentrate marketing investment on individual brands.

Restructuring has been a prolonged and painful process. Mr Michael Abrahams, deputy chairman of Crowther, admits that it has taken far longer than originally expected to sort out Carpets International and that the full benefits will filter through next year.

Meanwhile, Coats has embarked upon what Mr David Alliance, its chief executive, described as a "long haul" by revitalising Youghal, the woven carpet manufacturer it acquired earlier this year.

Nevertheless these two groups now dominate the industry. Coats produces about a fifth of output, and Crowther a 10th. Moreover, many of the changes that have taken place within Coats and Crowther – improved productivity and a new emphasis on marketing – have been mirrored elsewhere in the industry.

The companies which fared best during the early 1980s were those which withstood the temptation to compete with imports for volume sales and developed particular niches in the carpet market. Tomkinsons has done this in the domestic sector by marketing its Mr Tomkinson brand through independent retailers. Similarly, Hugh Mackay and Brintons have concentrated on the contract market, which has not only been more buoyant but less vulnerable to imports.

Coloroll, which entered the carpet sphere this spring with the acquisition of Wallbridge Holdings, plans to apply the same marketing and design disciplines it has developed in other areas of home furnishings to its carpet range.

The efforts of companies such as Coloroll will be helped by the structural changes taking place within the carpet market. Although carpet sales are generally dismissed as "mature," in the last year or so consumers have displayed a tendency to "trade up" within the market-place. In 1986, for example, volume sales rose by just 2 per cent to 189m sq metres while value sales increased by 9 per cent to £892m.

These changes in consumption are reflected in the retail sector. The decline of independent carpet shops seems to have halted. Meanwhile, Next and Marks and Spencer have entered the market. The multiples are still a powerful force, but "pile 'em high and sell 'em cheap" may no longer be a formula for success. Significantly, Coloroll, which had hitherto been deterred from entering the carpet market because of the influence of the multiples, no longer considers this to be a barrier to entry.

Many smaller carpet companies, such as Tomkinsons, have invested in marketing and design to take advantage of the opportunities created by these changes. Last year, these manufacturers had the additional advantage that the recession had taken much surplus capacity out of the industry, and both Coats and Crowther were embroiled in restructuring.

The two carpets colossi will be rather more competitive this year, but consumer spending forecasts augur well. The prospect of a rise in interest rates is one black cloud hovering over the industry, as is the soaring wool price. But to a British carpet manufacturer, both pale in comparison with the threat of Harris Queensway taking over Allied.

Monopolies body to probe four state industries

BY DAVID THOMAS, MAX WILKINSON AND ANTHONY MORETON

THE Monopolies and Mergers Commission is to investigate four nationalised industries as part of the Government's drive to make what is left of the public trading sector more efficient.

The inquiries may provide a platform for the debate about whether the industries should be privatised, although the commission is unlikely to focus formally on this issue.

The industries to be investigated—British Coal, the Post Office's counter operations, London Underground and the Welsh Water Authority—include some of the largest industries still in the public sector.

The inquiries are part of a rolling programme of commission probes which began in 1980 into the efficiency of the nationalised industries. So far there have been 24 such investigations.

The terms of reference for the Welsh Water Authority inquiry were announced yesterday. Details of the other three investigations, which are *expected to be broad, will be* published during the next few months.

A previous commission inquiry into British Coal, completed before the miners' strike in 1984-85 over pit closures, pointed to the need to eliminate high cost pits.

However, at least until the recent threats of industrial action over the disciplinary code, ministers have been quietly satisfied with the progress made by the industry since the strike to eliminate unprofitable operations.

Mr Cecil Parkinson, Energy Secretary, has broadly accepted *that the industry should be* given time to struggle towards profitability before being subject to any radical change in its competitive environment, either through privatisation or an encouragement of imports.

The Post Office has been taking steps to improve efficiency in its counter operations, partly through radical working practice agreements with its unions. However, there is still considerable consumer dissatisfaction *with queuing at the counters.*

The Government has not ruled out the idea of privatising the counters separately from the rest of the corporation's mail business. The Post Office, for its part, wants more freedom to offer non-government business over its counters.

The major problem facing London Underground is the need to invest heavily to keep up with spiralling demand for its services, particularly in bottlenecks in central London.

It is also having to come to terms with more private competition for London Buses, its sister company, and has itself been putting more of its contracts out to competitive tender.

The most controversial aspect of the Welsh Water Authority—its charging policy—has been excluded from the inquiry, but otherwise the commission will range widely over the authority's management structure, *industrial relations,* investment programme and its level of contracting out.

Mr John Elfed Jones, the authority's chairman, said the whole organisation, including its management structure, has been substantially reorganised since 1982 to make it more efficient.

David Lascelles on changing official attitudes to bids for financial institutions

Speculators bank on softer takeover line

THE SPECULATORS who have been piling into Midland Bank shares in the last few days expecting a takeover are making a basic assumption: that a bid for one of the country's largest clearing banks would be acceptable to the Bank of England and to Whitehall.

The purchase by Hanson Trust, one of the UK's most acquisitive conglomerates, of a 5 per cent stake has reinforced that assumption, whether or not Hanson wishes to become Midland's new proprietor.

It is not clear, however, what the official attitude towards a *clearing bank takeover would* be, particularly from a foreign bidder, which seems likeliest. Whatever briefs are now being prepared in the Bank and the Treasury probably contain plenty of arguments for and against. But the flurry over Midland comes when the authorities' views are softening and when the legal position on bank ownership is about to change with the enforcement of the new Banking Act from October 1.

In a recent interview with Banking World, the journal of the Chartered Institute of Bankers, Mr Robin Leigh-Pemberton, the Bank of England Governor, was asked how he felt about non-financial institutions acquiring banks. He said it was "not categorically impossible," but that "it would require careful investigation." One worry was that the *bidder* might want to use the bank as a milch cow.

Insofar as a bank bidder is concerned, few people doubt that the official attitudes which scuppered the Hongkong and Shanghai Bank's bid for the Royal Bank of Scotland in 1982 have changed. *The combination* of the more bracing climate created by last year's Big Bang and the view that London's premier position in the world financial community depends on it being open and even handed has had its effect.

This was evident in the absence of objections to Midland's recent sale of the Clydesdale Bank (a clearing bank in its own right) to National Australia Bank, and the tacit approval given to takeover talks between the Union Bank of Switzerland and Hill Samuel, the merchant bank.

The same is the case with the current bid by Equiticorp of New Zealand for Guinness Peat, which includes the Guinness Mahon merchant bank.

Ever since Citicorp of the US became a member of the UK clearing system in 1984, the case against admitting foreigners to the nerve centre of the UK banking system has *lost its force. The continuing* acquisitiveness of UK banks abroad must also weight in the balance: in the last year or so, Lloyds Bank has bought the fifth largest bank in Canada, and NatWest has just bid for one of New Jersey's largest banks.

Politically, the Government showed little inclination to give banks any special protection from takeover in spite of some fairly vigorous lobbying during the debate on the new Banking Bill earlier this year. The debate did, it is true, come hard on the heels of the Guinness scandal which severely depleted the banks' credit in Whitehall but the Government retained the right to refer to the Monopolies and Mergers Commission—and thereby effectively bury—any bank takeover as it did with the Royal Bank of Scotland. The ultimate weapon to protect the national interest remains.

This would be a decision taken by the Trade Secretary, with input from the Bank of England and the Treasury. But it would be blatantly political and highly controversial.

The Bank's official role is confined under the new act to assessing the suitability of a bank owner or controller—defined as someone with more than 15 per cent—a process known as the "fit and proper" test. This test would almost by definition have to approve any bid by a big foreign bank, or even by respectable UK non-banking interests. Lord Hanson, for example, was for a time a director of Lloyds Bank.

The test under the new act is a little fuller than the previous one. It also requires anyone buying more than 5 per cent of a bank to inform the Bank of England.

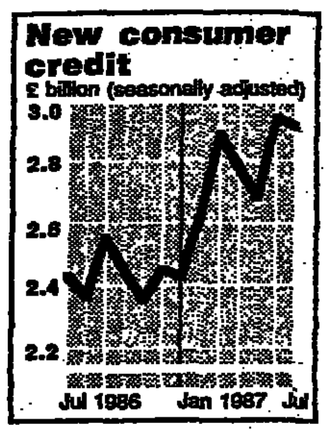
Neither the Bank nor Whitehall will find it easy or even desirable to establish hard and fast principles. Each case will *probably* be decided on its individual merits. But if a well qualified bidder for Midland emerges, able to strongly support the bank after its recent troubles, it would be hard for officialdom to say no.

Retail credit spending continues to increase

By Philip Stephens, Economics Correspondent

THE CREDIT-FINANCED high street spending spree continued unabated in July, according to official figures released yesterday.

The Trade and Industry Department said a total of £2.94bn of new consumer credit was granted by credit card companies, retailers and finance houses in the month. The total



was the second *highest* on record, only slightly below the figure of £2.98bn in June.

During the latest three months taken together, the total of new loans was 4 per cent higher than during the previous three months, suggesting a further acceleration in the pace of credit demand from the already high levels seen at the beginning of the year.

Rapid growth in credit, which has also been reflected in large increases in the money supply, has been a source of concern in the City, fuelling fears that the present rate of economic expansion may be unsustainable. Much of the additional borrowing is being used to finance rising consumer spending, which in turn has contributed to buoyant imports and a worsening trade position.

*The Bank of England acknow*ledged such concerns in last month's decision to raise interest rates, and has also voiced misgivings about the prudential risks for lending institutions posed by the rising level of personal debt.

The Treasury, however, has tended to focus on the fact that for the personal sector as a whole, increased borrowing has been matched partly by a parallel build-up of financial and other assets, limiting the net increase in individual indebtedness.

Rises in consumer credit are also still small in relation to mortgage borrowing, which has accounted for the bulk of the growth in personal debt over the past few years.

Separate figures released by the department underlined the buoyancy of retail sales, which have been boosted both by additional borrowing and by strong rises in real income.

Tory group demands aid for inner cities

BY JOHN HUNT

A WARNING that the Government must make resources available to create employment in the north of England and prevent any widening of the north-south divide is given today by the Tory Reform Group, which represents the moderate wing of the party.

In an attempt to influence rank-and-file opinion in the run-up to the party conference next month, Mr Iain *Picton, who has* just retired as group chairman, says "This is no time for doctrine. Moderate, pragmatic Toryism must come up with some answers."

He says in the group's magaine that the party cannot afford to be complacent behind its majority of 101 in the Commons, and that "one-nation" Toryism is needed as never before. He says he was glad to see the Prime Minister acknowledging the importance of urban decline with minutes of her June general election victory.

Positive help *for* inner cities must be top of the agenda, Mr Picton writes. But higher standards in free, universal health and education services should *not be far behind.*

"Some privatisation there may play a part in focussing resources, but its relevance to the main problems is slight," he adds.

"The overriding aim must be to extend the growth seen in one half of the nation to the *other half, and our Government* has an enormous task."

Sir Alan Greengross, the group's new chairman, states that growing national prosperity means that resources are becoming available. The Tories' claim to be theonly party capable of long-term government depends on how that opportunity is used, Sir Alan adds. "We must work not just for the few but for thenation as a whole."

Mr David Grayson, the group's vice-chairman, argues that the terms "wet" and "dry" are quaint reminders of the past. Moderate Tories must understand that the election victory has changed the political landscape.

Nevertheless officers of the *group include "wets" such as* Mr Peter Walker, its president, and Mr Jim Lester, vice-president, although they do not necesarily share views expressed in the magazine.

Sellafield 'stays in safety limits'

By David Fishlock, Science Editor

THE SELLAFIELD, Cumbria, factory of British Nuclear Fuels has kept within tough new limits on radioactive discharges imposed by the Government last year.

The company's annual report *to the Government* on its radioactive discharges says that at no time last year did the discharges from Sellafield or its associated radioative waste site at nearby *Drigg exceed limits* laid down in any government authorisation.

The report, prepared by BNFL's health and safety directorate, says liquid discharges from Sellafield were substantially reduced in 1986, the first full year of operation *for two new investments* in pollution control.

Discharges of "total alpha" activity were somewhat lower, and discharges of "total beta" activity were substantially lower than in 1985.

However, because the new plants *for* cleaning up liquid *discharges performed so* well, further substantial reductions are not expected in the next few years, the report warns.

The critical group dose — the dose received by the population believed at greatest risk — arising from liquid discharges from Sellafield is *estimated* at less than 0.4 milli-Sievert in 1986. The Radioactive Waste Management Advisory Committee, advising the Environment Secretary on radioactive wastes, has set a limit of 0.5 milli-Sievert.

The critical group dose for discharges to atmosphere was estimated at 0.1 milli-Sievert close to the site and 0.3 milli-Sievert for infants assumed to feed only on milk from nearby farms.

Annual report on radioactive discharges and monitoring of the environment, 1987. Health and Safety Directorate of British Nuclear Fuels, Risley, Warrington, Cheshire.

Growth slackens in computing services

GROWTH IN the computing services industry slackened last year even though the number of new jobs rose in line with the rate of the early 1980s.

The Trade and Industry Department says output rose by 8 per cent last year on an indexed basis compared with an average *annual* rate of 19 per cent over the period since 1978. Total billings reached £1.55bn last year, with exports up by 8 per cent to £114m.

The department's figures, recently adjusted to cover a larger industry sample, include bureau services, software *products,* hardware maintenance and consultancy. They show that the biggest growth in billings last year was in soft*ware products,* which rose by 27 per cent to £566m.

Growth in demand from the public services market headed the charts last year, rising by 4 per cent to take 14 per cent of the total. Export demand fell by almost 1 per cent to account for 7.3 per cent of industry billings.

Workforce

The industry workforce rose by 7 per cent in the year. The number employed in computer operating, data control and data preparation fell to 10 per cent of the total from 16 per cent in the previous year and 32 per cent in 1978. About a third of personnel were employed in programming and analysis.

BSB appoints head of world news channel

BY RAYMOND SNODDY

BRITISH Satellite Broadcasting, the UK direct broadcasting by satellite operator, yesterday appointed its second channel head.

Mr Bob Hunter, a former editor of ITN's News at Ten, has been appointed head of Now, a channel designed to *bring* news and live events from around the world 24 hours a day.

Mr Hunter was the first head of news at TV-am and masterminded Europe's first pan-European television news programme on Super Channel.

Independent Television News is expected to provide between 10 and 12 hours a day of programming for the Now channel.

BSB is scheduled for launch in autumn 1989 and will offer three new national television channels which will incorporate four distinct programme services.

Last week Mr Andy Birchall, *former* chief executive of Premiere, the film channel on cable television, was appointed head of Screen, BSB's subscription filb service.

BSB has not however yet announced the appointment of a chief executive for the £625m project although it says they say someone with extensive retail experience has been offered the job.

EIB agrees Channel Tunnel co-financing

BY QUENTIN PEEL IN BRUSSELS

THE European Investment Bank, main lending arm of the European Community, yesterday announced agreement on co-financing terms for £1bn in loans for the Channel Tunnel project.

The deal amounts to much major of the £5bn syndicate-credit formally underwritten by a group of 50 international banks last month but at more generous terms.

The deal between the bank and Eurotunnel, the Anglo-French consortium planning to build the cross-Channel fixed link, provides loans over the six-year construction period repayable over 25 years, compared with the maximum maturity on the commercial banks' credit of 18 years from the present date.

Repayments to the bank will also have to begin in 1999, and could run until 2017, compared with a repayment period from *1993—the intended completion* date—to and 2005 for the commercial bank loans.

In return, the bank will be secured by letters of credit from the syndicate of banks until successful completion of the project. After this date the EIB loans will be secured *on the same basis as the syndi*cate loans, that is on revenues from Tunnel-users.

The cofinancing agreement with the five arranging banks — Credit Lyonnais, National Westminster, Banque Nationale de Paris, Midland and Banque Indosuez—is the first of its kind arranged by the EIB.

It is comparable to cofinancing deals done by the World Bank with commercial banks except that it bears no sovereign - risk guarantees. Instead, the EIB will be *exposed to the revenue risk of* the Channel Tunnel once construction is completed.

In a joint statement Mr Ernst-Guenther Broader, EIB president, and Lord Boardman, NatWest chairman, described the syndicate underwriting-agreement and the EIB credit *as demonstrating "the banking* community's confidence in the project and the way it is being managed."

● Flexilink—the consortium of ferry companies, ports, Kent residents and environmentalists opposing the Channel Tunnel—yesterday opened its campaign to undermine Eurotunnel's planned £750m international share-offer due to take place this autumn, writes Andrew Taylor.

Flexilink claims to have reproduced the financial model of the scheme used by Eurotunnel. It is offering to let journalists and analysts use its version to test the project's viability. It says the internal rate of return generated by the project falls to as low as 3.4 per cent *if the project over*runs and traffic and tariffs are lower than expetced.

OBITUARY

Sir William Haley: former chief of BBC and Times

SIR WILLIAM HALEY, who has died aged 86 in a Jersey *nursing home,* was the first and possibly the last man to have been both director-general of theBBC and editor of The Times.

Sir William, who began his journalistic career as a junior reporter on the Jersey Morning News at the age of 18 before *becoming first a director of the* Manchester Evening News and later a director of both Reuters and the Press Association, filled both top offices with distinction.

He was appointed editor-in-chief of the BBC in 1943 and was director-general from 1944 to 1952. At the BBC he was determined that the corporation should continue with the Reithian policy of giving listeners "the best in the world."

Sir William played an instrumental role in shaping post-war broadcasting and successfully argued that the Home Service should be flanked on one side by the Light Programme and on the other by the Third Programme without centralised rules but a few "Queensberry *rules" to guide competition* between them.

He believed that the potential for radio should be fully exploited befre television was too enthusiastically embraced.

At his last BBC meeting before going to edit The Times, when it was clear that commercial television was on the way, Sir William warned against a lowering of standards. *According to Professor Asa Briggs'* History of the BBC, he said that television must not become another version of the film industry.

"Television must remain civilised and adult. You are fighting great issues," Sir William said.

The man who was once a telephonist in the foreign news department of The Times went on to become perhaps the first modern editor of the paper.

Under Sir William The Times began to carry news on the front page and appeal to a readership far wider than the traditional governing classes and the aristocracy, including women.

The advertising campaign, Top People Take The Times, came during his editorship, although over his opposition. A spare, rather puritanical leader on the Profumo affair, headlined "It Is A Moral Issue," was perhaps more typical of the man.

Sir William was also resolutely opposed to proposals to combine The Times and the *Financial Times and create* "the greatest newspaper in the world."

Sir William became chairman of Times Newspapers in 1967 and the same year became editor-in-chief of the Encyclopaedia Britannica. He resigned two years later to return to Jersey.

Land Securities names successor to Lord Samuel

By Dina Medland

LAND SECURITIES, the UK's largest property company, yesterday *named* Mr Peter Hunt, its managing director, as chairman follwing the death last week of Lord Samuel of Wych Cross, chairman and founder of the company.

Mr Hunt, who is 54, will continue as managing director. He joined the company in 1964, *became* a board member in 1976 and was appointed managing director two years later. It was under his management in the last 18 months—a period during which Lord Samuel suffered increasing ill-health—that Land Securities experienced a renaissance in the stock market.

Record car sales of 1.95m forecast

BY JOHN GRIFFITHS

THE RECORD 407,333 car registrations in August may take sales for the whole of this year to 1.95m, the Economist Intelligence Unit says.

That compares with a record in 1986 of 1.88m and is far higher than industry forecasts made at the *end of last year.*

This year's UK figures are in line with rising demand abroad which is likely to see total west *European* sales exceed 12m units forthe first time, the unit adds.

West European sales set a record last year of 1.63m cars. The *unit is forecasting a 3.7 per cent* increase this year to 12.07m.

West Germany, the region's largest market, is "accelerating rapidly" after a slow start, the unit say. It should reach a record of 2.9m units this year after several model launches at the Frankfurt show.

The unit sees Spain as the fastest-growing market, and forecasts a 23 per cent increase there this year to 800,000 sales.

The only exceptions to the European boom, the unit points out, are in Scandinavia. Restrictions on borrowing are depressing the Norwegian market and a recession is dampening demand in Denmark.

European Motor Business; quarterly; 40, Duke St, London W1A 1DW; £195 a year.

UK CAR REGISTRATIONS

	August				Year to date			
	1987	%	1986	%	1987	%	1986	%
Total market	407,333	100.00	382,215	100.00	1,459,719	100.00	1,394,680	100.00
UK produced	183,571	45.07	156,363	40.91	710,619	48.68	605,452	43.41
Imports	223,762	54.93	225,852	59.09	749,100	51.32	789,228	56.59
Ford	107,093	26.29	101,266	26.49	413,412	28.32	374,255	26.83
Rover group	60,126	14.76	60,924	15.94	225,635	15.46	228,355	16.37
Vauxhall/Opel	55,890	13.72	55,707	14.57	201,585	13.81	217,219	15.57
Peugeot/Citroen	33,533	8.23	28,247	7.39	104,390	7.15	90,735	6.51
Audi/VW/Seat	23,597	5.80	22,314	5.84	87,392	5.99	87,073	6.24
Nissan	23,842	5.85	20,814	5.45	76,800	5.26	74,006	5.31
Renault	15,561	3.82	14,988	3.92	58,432	4.00	52,123	3.74
Fiat/Alfa/Lancia	18,189	4.46	16,303	3.74	55,683	3.83	49,515	3.55
Volvo	12,345	3.15	12,176	3.19	50,732	3.48	49,104	3.52

Source: Society of Motor Manufacturers and Traders

Peter Montagnon examines the compromise which has ended a dispute between City banks and the ECGD

Export credit market relieved by Hong Kong solution

YESTERDAY'S compromise end to the dispute between the Export Credits Guarantee Department and City banks over plans to refinance a 10-year-old loan to Castle Peak power-station, Hong Kong, relieved the export credit market.

It means a *bigger arrange*ment to reform Britain's entire system of medium-term export credits has been salvaged after being on a knife-edge at the weekend. With the Castle Peak problem eliminated the main banks involved have accepted new arrangements for export credits which will come into force on December 1. Yet much remains to be done before then.

Banks have firmly accepted the new arrangements. These involve introduction of interest margins for export credits as well as commitment to refinance existing loans cheaply in the securities market. However, still to be decided is how the refinancing will operate in practice.

In the 18 months of talks needed to set these terms little thought has been given to the *mechanics* of refinancing the ECGD's existing portfolio of medium-term export credits, worth more than £10bn.

This is to be done by working-parties to be set up by the Government, Bank of England and lending banks. All the signs are that they will have their work cut out to produce an effective, practical plan by December.

The idea is that the ECGD *will use* a specially-created vehicle-company to buy the loans from banks and refinance them in the capital market Banks the loans of which are bought out in this way will continue to receive a small residual margin to compensate for their continuing role as so-called lenders of record and for work in initially setting up the deal.

This appears simplicity itself but in practice it begs questions, not least about ownership of the vehicle-company. The company, to avoid refinancing becoming part of the public sector borrowing requirement, cannot be legally *owned* by the Government or the ECGD. Yet the department will want to have a close say in its operations.

At the same time, it cannot be too explicitly linked to any single bank or group of banks which might be able to win preferential treatment for their *own loans.*

The refinancing operation itself is expected to be a complex one which could call for several instruments such as commercial paper as well as straightforward Eurobonds.

Bankers believe the ECGD as presently constituted does not *have the* expertise and manpower to handle the operation from its own resources. This raises the question of secondment of personnel from elsewhere, though which personnel from which organisations remains to be decided.

Some bankers were talking *yesterday about* the eventual establishment of an independent so-called export refinance company. However, it *is* possible that the ECGD, initially, may use GEFCO, a vehicle specially-established by Lloyds Bank to refinance rescheduled loans to the Philippines and Yugoslavia. Even so, there are other technical problems.

These relate, for example, to treatment of loans only par*tially*-guaranteed by the ECGD. The working-parties will have to decide the legal value of such guarantees when the full loan is *refinanced.*

Further, some loans have been swapped into other currencies. This may involve lenders in extra expense when swaps are unwound. Some have been sold-on in the secondary market and new holders will have to be traced before assets are *refinanced.*

Moreover, some bnks, such as Morgan Grenfell, have a large amount of export credits on their balance-sheets which they do not want to see diminish too rapidly.

Bankers say they hope problems such as these can now be ironed out in a positive, constructive spirit. However, with interest rates in the US *now* apparently rising, doubt remains over *the securities mar*ket's receptivity of the refinancing when it comes.

Time may also be taken to repair relationships damaged by the Castle Peak affair which has marred the otherwise impressive debut of Mr Malcolm Stephens as ECGD chief executive.

NEW INTEREST MARGINS FOR EPORT CREDITS
(% over money market rates)

	Loans with up to 12 years to maturity	Loans maturing in more than 12 years
Sterling loans		
Up to £10m	[illegible]	[illegible]
More than £10m	[illegible]	[illegible]
Foreign currency loans		
Up to £10m equivalent	[illegible]	[illegible]
Higher amounts	[illegible]	[illegible]

UK NEWS

Edward Owen looks at investor protection in the Channel Islands

Anxious time for offshore funds

OFFSHORE fund managers in the Channel Islands are waiting to see if investor protection legislation being introduced in Guernsey and Jersey will prove sufficient to enable their products to be freely marketed in the UK and the rest of the European Community.

The hope is that the islands will be recognised as offering equivalent investor protection to that in the UK and will secure "designated territory" status under the Financial Services Act.

If not, each Channel Islands-based fund would have to be approved individually by the Trade Secretary or his counterpart in other EC countries—a procedure feared to be slow and uncertain.

The Channel Islands authorities are anxious that nothing should hamper the advance of their funds business because they see it as an area in which their overheated economies can continue to grow without putting undue strain on staff resources and office space.

The total investment in Jersey-managed funds rose by 40 per cent during 1985-86 to £3.5bn and is now put at more than £4bn. Guernsey's figure is unknown but is thought to be not far short of Jersey's. Nearly 350 funds are being run from Jersey while Guernsey claims about 450 — although it is not clear whether the islands use the same criteria in defining separate funds.

Whereas a year ago Guernsey was receiving one application a week to launch a fund, the rate is now three or four a week. There is also a backlog waiting to be processed.

While UK and other expatriates provide a substantial part of the market for Jersey and Guernsey funds, it would certainly be seen as a blow if obstacles arose to selling the islands' products in the UK.

Guernsey has already applied under Section 130 of the Financial Services Act for designated territory status for insurance - linked investment business on the strength that it introduced a comprehensive insurance business law at the beginning of this year.

In Guernsey, a protection of investors law, closely modelled on UK legislation, has been approved by the island's parliament.

Although that enabling law has been widely framed so that it can eventually cover various types of investment business, it is being applied initially to collective investment schemes to allow an application to be made for designated territory status under Section 87 of the UK act.

Jersey has approached the question differently by producing legislation which deals specifically with collective investment schemes and life-assurance-based investments.

So far the islands have used control-of-borrowing legislation to vet applications for funds, but that has not provided for any continuing supervision. The new laws will give the authorities supervisory powers similar to those in the UK.

Neither island is setting up any self-regulatory bodies.

A financial services commission is to be established in Guernsey to regulate the whole of the finance sector, while in Jersey the finance and economics committee will be responsible for administering the proposed collective investment undertakings law.

Meanwhile, the offshore fund managers will worry for some months yet, because the UK authorities will undoubtedly want to see the full machinery of regulations and administration in place before they accept that the islands offer equivalent investors protection.

World business lawyers to meet in London

BY RICHARD EVANS

THE International Bar Association, the world's leading forum for business lawyers, is to meet in London next week for the first time in 15 years.

More than 2,500 international lawyers, including judges, arbitrators, barristers, solicitors, company lawyers, jurists and their guests, are expected to attend the association's section on business law biennial conference in three hotels in Park Lane between September 14 and 18.

Highlights, which will concentrate on finance and technology, will include a reassessment of the decision to build a nuclear power station at Sizewell, Suffolk; a joint exposition from leading space authorities in the US, Soviet Union, China and Japan of the latest technical developments in outer space and their legal and commercial implications; and an audio-visual presentation featuring a video tape reconstruction of the Chernobyl disaster and its implications.

There will also be the first international legal review of the effects of Big Bang in financial markets and a close look at Britain's competitive policies and relationships with the European Community.

A session on business crime will include insider dealing, money laundering and drug trafficking and its implications for Britain's extradition procedures.

Mr John Salter, chairman of the section on business law, said: "Never have international issues dominated the financial and legal scenes to such an extent. It is fitting that the UK should be the place for such an important conference one year after Big Bang and with its competition policies being tested. The conference should keep London firmly on the centre stage as far as international law and finance are concerned."

The opening ceremony at Central Hall, Westminster, will be addressed by Sir John Donaldson, Master of the Rolls. Other speakers will include Sir Patrick Mayhew, Attorney General, Sir Frederick Lawton, former Lord of Appeal, and Lord Wilberforce,

Video tape dispensers for BR stations

BY RAYMOND SNODDY

A NEW company is helping to boost the video rental business by installing automatic video tape dispensing machines at British Rail stations.

The first machines are already operating at Sutton, Streatham and Streatham Common stations in London. Others will be installed at stations such as Kingston and Watford Junction.

Mr John Moore, managing director of Videoland (UK), said BR was interested in 250 machines in the pilot project involving 10 dispensers as well.

A number of video dispensing machines were already in use in Britain but Mr Moore said his company's plans were the most extensive.

For a once-only joining fee of £3 commuters can choose from a selection of films by inserting a Videoland card in the machine which dispenses the tape. The film can be returned on the way to work next morning and a written record of the rental fee is given and the member's account automatically debited.

Mr Moore, who described himself as a barrister and merchant banker, said: "This is part of a new wave of retailing."

The company hopes to introduce the dispensing machines, developed in the US, at the rate of 10 a month and said they were intended for such places as pubs and supermarkets as well as station concourses.

Videoland (UK) supplies its machines, which hold more than 200 tapes, free to site owners and pays 10 per cent of gross rentals.

UK NEWS – THE TUC AT BLACKPOOL

Congress backs review of future of unionism

DELEGATES to the TUC Congress in Blackpool yesterday (Monday) gave overwhelming support to proposals for a year-long review of the future of UK trade unionism, including the vexed issue of strike-free agreements.

The debate on the proposals, which took up much of the opening day of Congress, was less acrimonious than had been anticipated expected in spite of sharply opposed polarised vi the strike-free deals.

The only unions though to have voted against the review plan were the CPSA and SCPS civil servants, the FBU fire-fighters and Tass, the manufacturing union — all four being left-led.

Most prominent union leaders took part in the debate, which encompassed eight original resolutions on union organisation. All eight were moved, but none was voted upon in view of the review plan.

The mood of many delegates was captured by Mr John Edmonds, general secretary of the GMB general union, who warned graphically of the danger of UK trade unionism following the pattern of decline of unions in the US.

He said: "Forget the American dream. What we in Britain have to avoid is the American nightmare."

Mr Edmonds was outlining his union's call for co-ordinated recruitment drives by unions in the expanding service sector. Previously, he said, unions' in dependent recruit had produced results ranging from the disappointing to the appalling, he said.

Badly - planned campaigns, using too few people and old-fashioned publicity material, had caught "about as much as a fisherman, bending over a dried-up canal, using a bent pin."

Objections being made to the idea of a central TUC organising fund—which "sound just a

Reports by Philip Bassett, David Brindle, Charles Leadbeater, Jimmy Burns and John Gapper
Pictures: Alan Harper

bit like the noise made by one of those little pigs who can't get fast enough to the pig trough"—ignored the opportunities on the horizon.

"Some unions think that they can prosper on their own. But that is nonsense," Mr Edmonds said. "A trade union movement in decline drags everyone down."

Mr Rodney Bickerstaffe, general secretary of the Nupe public workers, said the unions should look to their image—while at the same time clinging to their traditional values and collective approach.

He told delegates: "I don't want our image to be built up solely on (professionalism) and I don't want the move towards professionalism to be a cover to give up all the policies that our trade union movement has had these last 150 years."

Mr Alan Tuffin, general secretary of the UCW postal workers, said the economy was changing at a pace that the unions had to take account of. The labour movement should not refuse to change in turn just because a "biased press" was urging it to do so.

Unions had been slow to promote the positive side of their work, Mr Tuffin said, such as the £8m raised for a children's charity by UCW members delivering an appeal sheet to every house in Britain.

Ms Brenda Dean, general secretary of the Sogat '82 print union, told Congress the unions

AEU president Gavin Laird (left) makes a point to his general secretary Bill Jordan

needed to make much more effort to recruit and help the rapidly growing numbers of women workers.

In 1960, she said, women had numbered about one-third of the workforce. Today they numbered just under half. By the end of the century, they would be in a majority.

"I hold the view that the trade unions are the only organisations which can and, more importantly, will want to represent working women," Ms Dean said.

However, opposition to the review plan was expressed by Mr John Rhodes, an executive member of the SCPS civil servants' union. He said it should be remembered that two thirds of the labour force was still full time and, even in parts of the service sector, was often strongly unionised.

If there had to be a review, Mr Rhodes said, it should consider the needs of unemployed people and should look at Congress itself—"almost without exception white, predominantly male and predominantly middle-aged."

Forthcoming legislation on trade union democracy would weaken the unions by making their affairs more complex, encouraging complaints from members and weakening their cohesion, Mr Roy Grantham, chairman of the TUC's employment policy and organisation committee warned Congress.

Speaking at the opening of a debate on trade union law and employment rights, he said the worst proposal was that workers should have the right to break a strike even if it had been called following a secret ballot. He said he expected the Govrenment's proposals, which were outlined in a white paper before the general election in June, to be published as a bill next month.

The real issue was the loss of employment protection and legal rights for millions of workers by changes to employment law, he said.

He criticised government plans to change the role and constitution of the Manpower Services Commission which would weaken union representation. But he said the unions would maintain their role in the commission to continue to press for improved training and benefits for unemployed people.

In a keynote speech opening the debate on future union organisation, and proposing the TUC's idea of a year-long review on the issue, Mr Norman Willis, TUC general secretary, said strike-free agreements being signed by some unions were leading to "harmful and damaging" collisions between unions.

Mr Willis said that priority had to be given in the review to looking at single-union, strike-free agreements over which "unions have bounced into each other in a way that all of us recognise as harmful and damaging."

The review would start with an intensive examination of such deals, probably lasting about six months, though work on other areas for consideration would start at the same time.

He acknowledged that the problems presented by the deals were unlikely to be easy to solve, but Mr Willis said he was "deeply committed to that understanding which must produce closer working within a short period."

It was not easy too because "hard things have been said and done and many would have been better off unsaid and not done."

Since unions operated in a competitive and abrasive atmosphere, he said it was not unusual there were clashes between them: "It is not surprising—but it is not acceptable."

He said: "I don't expect, nor do I want, this week's congress to be a mutual appreciation society, with unions cuddling up to each other and holding hands. But I do think it is important that perhaps they link arms a bit more, and a bit more frequently."

Unions were unsurprisingly not coming up with the same answers to the problems which faced unions generally, but Mr Willis stressed the positive aspects of that: "We have better unions now. They are analysing, they are working out strategies. They are looking outwards and not downwards."

But he accepted that the present TUC total of 9m members was not enough, and he made it clear that his own controversial ideas for extending union organisation would be included in the review.

Stressing his own optimism, and the real pride unions could take in their achievements, he insisted that the review was not a device to shelve union problems: "We are not sweeping them under the carpet. We are putting them on the table with people around it committed to sorting them out."

Scargill fails to win support over avoiding 'a fudge'

LEFT-WING trade union leaders failed to win support for moves to reject the tactics deployed by the TUC General Council over the union organisation debate and instead to vote specifically on the controversial issue of strike-free agreements.

The move produced nothing like the row which had been forecast, and did little to disrupt the smooth image the TUC is keen to present this week.

Last week, by 40 votes to two —the original 41-1 vote was changed at a general council meeting yesterday after Mrs Joyce Winsett, president of the public employees' Nupe, made clear she had voted with Mr Arthur Scargill, NUM president —the council adopted a statement on union organisation and with it the understanding that there would be no votes on the eight individual motions on the issue.

As the congress opened, Mr Scargill challenged the move, arguing that it was "the most dangerous precedent in the history of the TUC" and that its object was to produce "a typical piece of the TUC fudge."

He said: "They want to avoid a debate on the central and contentious issue involving the EETPU," the electricians' union which has led the way in signing strike-free agreements.

A similar move was made by Mr John Macreadie, the Militant deputy general secretary of the CPSA civil servants' union, who tried to obtain a separate vote on his own union's motion, now composited in with others.

Mr Macreadie said the issue should not be discussed in the manner proposed, but that strike-free deals should be openly opposed.

Both moves were defeated by substantial majorities, with only left-led unions such as Tass and the SCPS civil servants in support.

Jarvis plea to heed changing attitudes

UNIONS MUST come to terms with the changing attitudes and habits of working people, Mr Fred Jarvis, the TUC president, told congress.

Acknowledging a greater affluence on the part of many workers, he said social changes had "clearly had their effect on political and voting loyalties."

However, Mr Jarvis added: "But because there has been a vast and welcome extension of home ownership and car ownership" because many working people bought Telecom shares "because even more working people have credit cards, that does not mean they will have less need of the advice, assistance and protection, and collective strength that trade unionism provides."

Mr Jarvis, general secretary of the National Union of Teachers, was making the annual presidential address to congress in the wake of what he described as the "major setback" of the Conservatives' June general election victory.

The outlook was dire, he said. The union movement, which was the main hope and protector of working people, had to ensure it organised and worked more effectively.

"Clearly this is a time for frank and serious discussion, particularly for honest and searching examination of our relations with fellow unions and our own members, our methods of work, and doubtless, some of our policies.

"But it is not a time for defeatism or division in our ranks or for deserting our basic principles as trade unions."

There was understandable concern about the present image of unions and trade unionists. While this had to be addressed, the main challenge lay in changing patterns of employment

As workers came to feel more insecure as a result of these trends, so they would have a greater — not lesser — need for union membership.

Fred Jarvis: 'time for searching examination'

They would also need the experience and work of the unions in crucial areas of education and training, health and safety and positive employment rights. "Wise" managements already recognised what unions could contribute in such fields.

The Government was not so wise, however, and the union movement was today "more readily accepted in Brussels than it is in Whitehall."

The unions must continue to challenge the Government's policies, Mr Jarvis said. But he warned that they must also "realise the limits" within which they could do this.

Referring to the forthcoming reappraisal of TUC activities, Mr Jarvis said: "We cannot tackle every action or policy and we have to establish priorities. Moreover, we have to be sure that the policies we pursue are those most directly concerned with the general needs and expectations of our members, that they are seen to be relevant and will win the support of the bulk of our members."

Clash over privatisation headed off

TUC LEADERS yesterday averted a head-on clash at congress this week over privatisation and share ownership.

The UCW postal workers and the NCU telecommunications workers have agreed on a composite resolution smoothing out differences between them.

The original UCW resolution called for "the financial stake and rights of existing individual and institutional shareholders to be recognised" in extension of public or social ownership.

The NCU had moved to amend this to refer to "the perceived importance of guaranteeing fair compensation for shareholders."

The composite resolution refers only to recognition of individual and institutional shareholders. It also refers simply to employee share schemes as a basic principle

The UCW had specified "the maintenance and improvement" of employee share schemes. The NCU had countered with a reference to "recognition of the difficulties created by growth of" employee share schemes.

Finally, the composite adopts the NCU's call for the ownership and control of industry to be "democratised"

Prospect of 'serious disco and silly nits' at congress

WELCOME TO Blackpel at a very grippadole time for the tradesune Joan con Chris, with general sex on the platforms and the prospect disco later in the week.

This bizarre verbiage was conveyed to delegates through the hazy filter of new technology during a lively debate over whether deaf mebers of "con Chris" needed a signer to translate Arthur Scargill's wide range of gesticulations.

It came from congress president Fred Jarvis through a loudspeaker, and on to a shorthand pad linked to a special computer. It then emerged a few suspense-filled seconds later—mangled beyond recognition—printed on a television screen on the floor of the hall.

This screen was a "palantype," a congress innovation designed to make the arcane world of trade union Joes accessible to all. It produced immediate uproar, references back, compositing and a thump of a Norman Willis fist on the grey velours-topped table.

Before that, it turned Fred's speech into an interesting critique of where Norman—as general secretary—was going wrong. "Our movement has to shower," Mr Jarvis declared on screen as he looked round at the other general secretaries squeezed together under the hot television lights.

"Today furges own the protest," he confessed during a scathing attack on a Government interested only in "protecting individual rats and bring in a pole tax. What was left for a once-proud movement now ignored on tri par tight bo dis?"

"We have to realise the silly nits we can pursue," was the Jarvis-palantype solution, before Fred moved on to present a "cold medal" to a long-serving member of "Newty," the well-known health service union. It seemed a shame no one had bothered to warm it up first.

But one nit was striking back. After allowing congress a generous 104 minutes of unity, Arthur Scargill was on his feet to protest at the machinations of the Elizabethanlstyle "general purposes committee" and its bending of the "consity stution."

This attempt to distract congress from the real issue of how an illiterate machine had taken away the jobs of signers was soon dismissed and the real debate began on Norman's attempt to ((furge the palantype issue."

The machine seemed unsure of the status of its defender. "When I became generally secretary . . ." he was alleged to have said before ending with the poignant appeal that: "We're all suffer fish."

It was thus in no mood to face its greatest challenge, the rounded vowels of the deep South produced by Lane Kirkland, president of the AFL-C10. "Lies," is declared as he started his address to the prathers and sisters.

After two minutes, it had had enough. "Dull gentleman," it announced, before amusing itself by reporting the rest of his speech in an argot based on Cockney rhyming slang. "We don't accept it," he declared robustly of the decline of unions. "We don't August September it," same the machine's echo.

Still, he got a "groled medal" for his trobles and clearly appreciated the many careful hours of "groling" that had gone into it. Take a bow, the National Socicty of Palentyping, Signing and Groling Operatives.

John Gapper

Mixed reception over new promotional video

THE TUC's new promotional video about trade unions drew a mixed reception from delegates when it was unveiled at yesterday's congress.

The film, made by advertising agency Delaney, Fletcher, Delaney, is being distributed for use by all TUC unions, together with promotional materi gether with promotional material on it and a revamped version of a TUC leaflet on why employees should be in a union.

It is in four sections, linked by the slogan "The trade unions—it's a good thing we're here." The first, detailing some of the problems facing unions such as the decline of old, heavily unionised industries, used a varied selection of images — from L. S. Lowry to high-tech companies, from hovercraft to new housing estates, to try to show how far the unions have come, and how far now they have to go to retain their influence.

The second and third sections look at women workers, and health and safety issues, using soft-focus photography and a number of scenes of families.

But the final section proved the most controversial with delegates. A clear attempt to seize back for unions the high moral ground of freedom, the section shows a man walking along a dark street, and up a tower, eventually unfurling a flag which proves to be the Union Jack flying above the House of Commons.

Some delegates hissed the video at this point, but the TUC believes that the film will have wide appeal beyond the level of union activists.

OTHER LABOUR NEWS

Soviet bank in 6.5% deal with Bifu

By John Gapper, Labour Staff

MOSCOW NARODNY BANK has reached a 6.5 per cent pay settlement with the Banking, Insurance and Finance Union which the union is hailing as proof that it can operate effectively with international banks in the City.

Bifu, whose relations with Moscow Narodny have been strained in recent years over a variety of issues, is struggling to add to the number of recognition agreements it has in the City following deregulation.

The settlement for 200 staff at Moscow Narodny includes a £1,000 addition to the London allowance and will cover a 16-month period from April 1 this year. The union said yesterday that it was "quite pleased" with it.

Mr Alan Burton, Bifu assistant secretary for international banks, said: "Several issues have bedevilled our relationship with the bank recently, but it would appear that there is now a very positive attitude between us."

The union has a number of recognition agreements within smaller international banks, but has failed to make larger recruitment inroads into the City or sign any new agreements following deregulation.

It is concentrating its efforts on Mitsubishi Bank where it claims to have 40 members—some 50 per cent of the staff—and is pressing the bank to sign a recognition agreement.

Bifu's relations with Moscow Narodny were damaged at the end of last year by a review of operations and the dismissal of a union representative, who was later awarded £10,000 compensation by an industrial tribunal.

NUM in informal Acas talks

BY CHARLES LEADBEATER, LABOUR STAFF

NATIONAL OFFICIALS of the National Union of Mineworkers had informal discussions with senior officials from Acas, the conciliation service yesterday, as the first step towards arranging a meeting with British Coal over the controversial disciplinary code.

It seems increasingly likely that deep divisions will emerge within the NUM's leadership over how the union should handle the issue in the next two weeks. The executive voted on Sunday to impose an overtime ban from September 21, in protest at the introduction of the code in March.

Several executive members, attending the TUC in Blackpool who voted in favour of imposing the deadline for successful negotiations said they were worried that Mr Arthur Scargill, the NUM President, did not want to see a negotiated settlement to the dispute.

One said: "Arthur believes that as miners have voted for industrial action the union has a duty to call industrial action regardless of what might be achieved through negotiation."

Miners voted by a 77.5 per cent majority in favour of industrial action, short of strike action, in a ballot held during July and August.

Executive members critical of Mr Scargill are angered by his claims that British Coal has not made any significant concessions in its proposed amendments to the code. They indicated that the only remaining issue of importance was the corporation's insistence that there should be no role for an independent arbitrator, or pit umpire in the disciplinary procedure. Should this be resolved quickly they would allow the details of a revised code to be worked out through a joint working party.

Senior Acas officials who had two meetings with the NUM yesterday acknowledged that it would be the central issue in talks over the next two weeks.

Although the old pit umpire system was rarely used, British Coal have abolished it. Instead it has said that unions will be free to support their members' claims for unfair dismissal taken before an industrial tribunal.

British Coal attempted to play on the difference of view within the unions executive. It welcomed statements from union leaders opposed to industrial action, and made it clear that it believes only some of the NUM's leadership have misrepresented the code of conduct.

It said it would have to talk to the breakaway Union of Democratic Mineworkers over the code before it resumed talks with the NUM.

Move to avert air engineers' strike

BY JIMMY BURNS, LABOUR STAFF

THE Civil Aviation Authority and union leaders were yesterday preparing a fresh round of talks in an attempt to head off the threat of a strike by Britain's 1,300 air traffic control engineers.

The CAA said yesterday that the withdrawal of goodwill and a ban on voluntary overtime by the engineers which began at the weekend had had no effect. But Mr Bill Brett, assistant general secretary of the Institute of Professional Civil Servants, to which the majority of engineers belong, said in Blackpool that he was facing increasing pressure from his members to step up their protest action over pay.

Mr Brett warned that the CAA would find itself in "great difficulties" and UK air safety could be jeopardised if the engineers stepped up their dispute to include a rolling campaign of industrial action and one-day strikes.

The engineers maintain and repair vital equipment including radars, computers and radio beacons. They are seeking pay rises of up to 30 per cent, similar to those offered by the CAA to the air traffic controllers, as a condition for breaking with the Civil Service pay link.

The CAA says that engineers have been offered increases of between 11.8 per cent and 34.3 per cent as a result of their pay link with Civil Service telecommunications and technical officers and as part of the wider negotiations affecting all the 6,750 staff employed by the authority.

Mr Brett said yesterday that he would be willing to negotiate greater flexibility in working practices and the scrapping of certain voluntary clauses in the engineers' contracts covering emergency work if the CAA revised its pay offer.

US unions 'parallel TUC aims'

MR LANE KIRKLAND, president of the American Federation of Labour (AFL-CIO), said that US initiatives on trade union organisation and the provision of new membership services paralleled the "theme and purpose" of the Trades Unions Congress.

He later told journalists that although he was not suggesting that some of the policies being adopted by British unions were "US inspired" the TUC may have taken a leaf out of the American copy book.

"The TUC has seen our literature," Mr Kirkland said. The comments were the only direct judgments the specially invited guest from the US was prepared to make on his British counterparts.

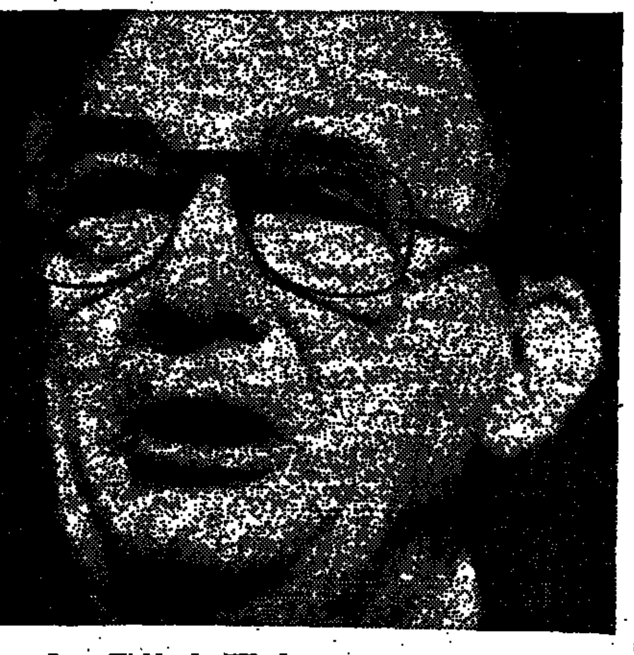
Although at the centre of considerable media attention, Mr Kirkland refused to be drawn into the controversy raging on the conference floor over the future of British trade unionism.

"I have a feeling that they (the TUC delegates) are talking about something, the nuances of which escape me completely," Mr Kirkland said.

Commenting on the US experience, Mr Kirkland described it as the "most stimulating time in modern trades union history. It is a time of exploration, experiment and innovation," he told delegates.

But Mr Kirkland said later that the adoption of "market" trade unionism, including the use of credit cards, videos, single union deals and other policies aimed both at boosting membership and improving organisation had not succeeded so far in enhancing the image of trade unionism.

"In America the only unions people like are South African or Polish. Our Gallup Poll rating is as low as that of journalists," he said.



Lane Kirkland: TU's has seen our literature

Exhibitions/William Packer

Movements in metal both active and passive

For the current exhibition at the Brighton Art Gallery, *Metal & Motion* (until October 18, then on tour to Cardiff and York: supported by the Arts Council, South East Arts and the Henry Moore Foundation), 17 artists were invited to show their sculpture or to make work especially for the event. Together they range across various possible treatments of the general theme, from frenzied mannikins whirring and clanking at the touch of a switch, to the gently rocking swing that so invites the visitor's hand, and on to stable and unmoving objects that are yet images of movement, both abstract and figurative.

There is of course rather more to the principle of movement in sculpture than the mere fact. Not every machine, though it may possess undoubted sculptural qualities or possibilities, is made into a work of art simply by the trick of moving its several parts, any more than movement necessarily makes a piece of sculpture any more interesting. Indeed, the thought, as in so many things, is often more potent than the deed, and actual movement can turn out to be more a limitation than a stimulus to the imagination.

This is not to say that movement somehow is inadmissible and outside the rules, but only that it brings with it certain inescapable considerations. The Swiss sculptor, Jean Tinguely, whose work now occupies the Palazzo Grassi in Venice (until October 18), stands pre-eminent in his mastery of sculpture that moves. And it is the measure of his creative judgment and delicacy that so often, even in a single piece, he should both accept and escape these considerations. Others abide our question but, by the inventiveness with which he combines the inexorable with the entirely arbitrary and unexpected, the cacophanous with the silent, the sinister with the very funny, he is free.

Greyhound, 1987, by John Ogle

The subtler it all is, the more arbitrary and unbidden, the better. The tree, heavy with summer and heaving lightly in the breeze, may not be itself a work of art, nor the water falling over the rocks, nor the swish and turn of Julia's skirt, but is no reason why such activity should not give the artist ideas.

The rule is not fast, and the artist must only remember that a mechanical cycle or capability is ultimately fixed. Round and round it goes, and so the show goes on. And whatever the immediate quality of the entertainment, the imagination might well prefer to remain free in wondering what the machine's performance might be, rather than to be shown it. By the variety it has given us, the Brighton Art Gallery quite reasonably has chosen to keep the options open.

Things move, swing and crash and fire ping pong balls at the unsuspecting operator. There is much to engage the visitor in turning wheels and handles, and watching the water activate Raef Baldwin's cranky, jolly fountain. Adrian Moakes's noisy robots mark desperate, arthritic time, and Andy Parkin's Sound Wall, with its appropriated junk gongs and rattles, is nicely if as noisily therapeutic.

Swinging, too, is a universal if perhaps quieter therapy, and of all the things that actually move Kevin Atherton's Swing-become-Swingboat, with its many seats fused, which zigzag together, corner by corner, to fix the natural arc of all the swings that ever were, is in its wry and gentle way easily the most satisfying. But its peculiar quality is that it might just as well have been stuck fast and actually immovable, with only the imagination to nudge it, and lose none of its virtue. The movement, even the little it has, is unnecessary both to itself and to the theme of the exhibition which it serves. And indeed the more memorable of the works here, with which Atherton's maquette stands, are among those that do not actually move.

At the static extreme is one of the simplest and most elegant of all the works on show, and one which, though it would then have had quite different an aura, might as well have been carved in stone. Charles Normandale has split his thick steel plate by a single cursive stroke and placed it so that it leans quietly apart, the expression both of its own inclination and the more vigorous graphic decision that effected it. The point of the show could hardly be more neatly made.

The most obviously active statements in the show of the very idea of movement are no less static, and all the more memorable for being so spectacular. John Ogle's greyhounds, that he contrives in part from crushed drainpipes, are frozen as though in mid-air, like any single frame from the Muybridge sequences from which they derive. Almost offhand in their abstracted simplification as images, and cursory in their manipulation, yet still they seem to race and wheel together at top speed, and run on in the memory.

*

Back in London, the small review of Eduardo Paolozzi's earlier sculpture still occupies the lawn of the Serpentine Gallery (until October 25: then on to Swansea, Nottingham, Manchester and Glasgow). Under the title of *Sculpture from a Garden* it celebrates a remarkable private collection that is especially strong in the artist's work in two crucial phases of his career. The late 1940s see the young surrealist first declaring himself as a significant imaginative force. Ten years on and the more intuitive and primitive expressionism of his beasts and totems is resolving itself into imagery that is something more regular and mechanical in its monumentality.

So he moves on through the 1960s into the early 1970s with his industrial assemblages and confections, tilting as he goes at all the windmills of a mechanical age. And yet how clearly, even in this partial view up to 1972, his work stands all of a piece. For all the immediate differences of image, reference and practice, the product is nevertheless of the same hand and gleeful, curious and inventive. But despite his enduring fascination with machines and beasts and monsters of all kinds, he is no sculptor of movement at all, either incipient or actual. His are hieratic, magical heroes that would never move, even if they could.

Nabil Shaban in "The Emperor," a hypnotic vision of a tyranny in decay adapted by Michael Hastings and Jonathan Miller from the book by Ryszard Kapuscinski, which Michael Coveney reviewed favourably on these pages when it was first performed at the Theatre Upstairs in March this year. The play has now moved downstairs to the main Royal Court Theatre and opens tonight.

A woman's view of war which touched the nation's heart

Standing in the path of a regiment of Scots Greys charging out of the canvas must have terrified a Victorian audience as much as the looming steam engines of the early days of cinema that sent people screaming from their seats. Even today, you cannot help but falter in front of Lady Butler's 6 ft-wide *Scotland for Ever*. It remains the most sensational canvas of a sensational if forgotten career.

Seven-and-a-half years earlier, the reception of *The Roll Call* at the 1874 Royal Academy had transformed the unknown 27-year-old into a celebrity almost overnight. Policemen were brought in to keep the crowds at bay (only Frith's *Derby Day* and Wilkie's *Chelsea Pensioners* had ever warranted such protection).

When the painting later toured the country, 2,000 people saw it in Liverpool alone. Collectors and dealers showered the owner with offers, including the Prince of Wales (it was finally ceded to the Queen). The copywright was sold to the Fine Art Society for a staggering £1,200. As William Holman Hunt recorded: "It touched the nation's heart as few pictures have ever done."

After 113 years, *The Roll Call* is on tour again, one of 140 exhibits comprising the first major retrospective of the work of Elizabeth Thompson, later Lady Butler (1846-1933). In its sombre frieze of figures, injured and exhausted Grenadiers muster after the battle of Inkerman.

Each one is an individual study of psychological distress or physical suffering. An old veteran comforts a weeping boy, a young soldier in shock stares out with vacant eyes, men attend their wounds.

As a Grenadier collapses into the snow another turns away, sickened. Glimpses of red coats and blood provide the only relief to monotonous greyness.

Other Crimean canvases followed—action at Quatre Bras,—the decimated ranks of the Light Brigade after Balaclava, the ragged return from Inkerman—and proved almost equally as popular. Her treatment of war was entirely without precedent in British paintings, although there are French parallels. No other artist had ever touched upon the experience of the ordinary British soldier. She painted his courage overcoming fear, his stoicism and suffering but never for the glory of war.

Why she should have chosen such a recherché genre (there were only two other battle painters exhibiting regularly) and to paint the events of 20 years before, seems less incongruous if seen in the light of the humanitarianism of the 1870s. (Another success of 1874 had been the hungry and homeless of Luke Fields' *Applicants for Admission to a Casual Ward*). After the disastrous events of the Crimea, the army also was considered in need of radical reform.

However, it was only after her marriage in 1877 to a liberal Irish soldier, Major (later Sir) William Butler, an outspoken opponent of British foreign policy, that criticism clouds the patriotism of her paintings. Turning her attention to the controversial colonial wars, she commemorated one of the worst disasters in British military history.

In *The Remnants of an Army: Jallalabad, January 13, 1842*, she portrays Dr William Brydon, assistant surgeon in the Bengal Army arriving after a gruelling 60-mile journey at the fort of Jellalabad—he was thought to be the sole survivor of a force of 16,000. As someone who still sheds a tear in front of *The Shepherd's Last Mourner*, I defy anyone to remain unmoved by the plight of man and horse. But sentiment becomes melodrama in *Evicted*, where a young Irish peasant, unable to pay her rent, stands in the smouldering ashes of her cottage.

Marking an incident at Waterloo, *Scotland for Ever!* also is less patriotic than it might at first seem. According to Lady Butler's autobiography, it was painted in reaction to the "unwholesome productions" of the Aesthetes that she had just seen at the Grosvenor Gallery. At least, on her canvas, men were men (one is less convinced that the horses are horses).

This vast opus marked the end of her career as a great popular painter, although she continued to paint into her 80s. Her phenomenal success had brought many new painters to the genre and their triumphant celebrations of war were now more to public taste. And by changing her Pre-Raphaelite technique and palette, her painting had also lost its strength.

As a dutiful wife and mother of five living in Ireland, her time to paint and opportunity to exhibit were reduced severely. She had come within three votes of being the first woman to be elected an Associate of the Royal Academy in 1874, but never again did she raise the issue of her professional status. (It was only in 1936 that Dame Laura Knight became the first woman Academician.) She acquiesced similarly when clients and publishers attempted to exploit her to their financial advantage.

But whether encouraging or patronising, the press had never ceased to be amazed that Elizabeth Thompson's epic, historically-correct and "manly" canvases could be the work of a young woman who had never seen, or wished to see, military action. "Amazon's work, this," was John Ruskin's tribute.

● Lady Butler: Battle Artist continues at the National Army Museum, Chelsea, West London, until September 26; Durham Light Infantry Museum and Art Centre, October 10-November 8; Leeds City Art Gallery, November 25-February 14 1988.

Susan Moore

"Scotland for Ever!" by Lady Butler

English Northern Philharmonia

Andrew Clements

The English Northern Philharmonia is the house orchestra of Opera North, formed with the company in 1978 and based in Leeds. But it leads an independent existence as a symphony orchestra also, giving regular concerts in Yorkshire and surrounding counties. It had not appeared in London, however, until Sunday, when it gave the final concert in the Birtwistle leg of the South Bank's Summerscope at the Elizabeth Hall. The orchestra's principal conductor is David Lloyd-Jones, its chief guest conductor Elgar Howarth, and it was Howarth who conducted this programme, a fascinating juxtaposition of Stravinsky's last two ballets and Ives' *Three Places in New England*, with a short Birtwistle premiere to end.

It was a demanding test, one which revealed the orchestra to be an accomplished band; neither *Orpheus* nor *Agon* plays itself. The contrast between the rarefied neoclassicism of the former and the infant serialism of the latter could have fuelled a whole evening's debate on the nature of Stravinsky's apparent stylistic *volte-face* in the mid-1950s; here the points of similarity seemed far more striking than the divergences. *Orpheus* has become the least performed of all its composer's ballets, but as Howarth demonstrated, its beauties and contemplative restraint deserve much more attention.

Agon was performed a few weeks ago at the Proms; the conductor on that occasion was Peter Eötvös, and his cool, objectified (and I suppose more authentically Stravinskian) account was very distinct from Howarth's highly characterised, almost rhetorical reading. But the Elizabeth Hall's bold acoustic would have made a detached performance very difficult; in the Ives pieces it stripped the impressionist haze from "The St Gaudens' in Boston Common", allowing the marvellously intricate web of allusions and resonances to be teased out by the ear, and put the marching bands of "Putnam's Camp" into bracing opposition. The control by orchestra and conductor was prodigious; such disciplined performances of Ives are as rare as they are revealing.

Arrangements of the Machaut *Hoquetus David* by a clutch of composers have run through this fortnight of concerts planned by Birtwistle, and it was appropriately his own version, *Les Hoquets du Gardien de la Lune*, that closed the season. It was less an arrangement of the original, however, than an arrangement of an arrangement, for this hoquet has fascinated him since his Manchester student days; he made a first version for woodwind then (a straight transcription) and a more elaborate reworking for the sextet of the Pierrot Players in 1969.

This version was the starting point for the new work, expanded to symphony-orchestra proportions, raised in pulse and at once identifiable as belonging to the sound world of recent Birtwistle. A pair of snare drums provide a constant rhythmic "continuum," while the hoquets are piled up and elided above; there are snatches of *Earth Dances*—like heavy brass and galvanising explosions of string energy. It lasts barely five minutes yet manages to encapsulate both a unique expressive imagination and a constantly fertile (if highly selective) attitude to the historical past.

Birmingham SO/Albert Hall

Dominic Gill

The City of Birmingham Symphony Orchestra's Prom under Simon Rattle on Sunday night was a glittering example of the Rattle recipe at its most direct and effective: a broadly popular, but not in the least hackneyed, programme including an engaging modern work, a great classical concerto, and a significant peak of the 20th-century symphonic repertoire, carefully rehearsed and strongly played. What more could one ask?

The Japanese composer Toru Takemitsu's *A flock descends into the pentagonal garden* is a short, lush, neo-Straussian orchestral essay, profoundly un-Japanese in its image and texture—a pervasive cloud of nostalgic reference, puffed like a dandelion, scattered with the colours of early Schoenberg and Skryabin. It's expertly and attractively scored, and makes a nice curtain-raiser: Rattle's intention seemed to be to make as much as possible of its lushness translucent, crystalline—and indeed I should guess that it is very likely what the composer himself intended.

The American pianist Emanuel Ax was the soloist in Mozart's C major concerto K503: a fluent, easy-going account, tonally warm, rhythmically neat, its buoyant phrase-arches nicely rounded. It was attractive, but not exceptional — I liked Ax's measured, low-key reading of the first movement cadenza, and his gently pointed emphases in the allegretto finale. Rattle followed discreetly, but not shyly: he led the tempo in the slow movement (and he is right — that andante is quite often taken far more ponderously, or wistfully, than it should be).

The Birmingham orchestra's symphonic finale was Mahler's First, and the performance bore the characteristic Rattle stamp in every measure. The keywords were fluency, natural shaping, clarity of texture — the first movement especially was splendidly easy and unforced in its unfolding; the second movement, that swirling, skirling *Kräftig bewegt*, was perhaps for my taste even a shade too genial in its emphasis, but it was beautifully voiced and graded nonetheless. The *Frères Jacques* funeral march of the slow movement could not have been more expertly paced — under Rattle's direction the gypsy-music intrusions seemed for once more nostalgic than ironical, a sensual frisson rather than a shiver of dark fantasy. The finale was all air and buoyancy — its storm and stress tempered (although emphatic enough at its climaxes for even the most ferocious Mahlerian) by a thoughtful, eloquent lyricism.

RSC nine-town tour

The Royal Shakespeare Company takes to the road this autumn with *Hamlet* and *The Comedy of Errors* and will visit nine towns in the 10 weeks before Christmas—Burton upon Trent, Castleford, Carlisle, Bridlington, Barrow in Furness, Belfast, Wigan, Middlesbrough and Bedford.

The tour — the eighth — is sponsored by the National Westminster Bank.

Arts Guide

September 4–10

Opera and Ballet

ITALY

Venice: Teatro all'Aperto: Balletto Hamburgische Staatsoper in Otello with choreography, scenery and costumes by John Neumayer (521 0161).

Venice: Teatro la Fenice: John Neumayer's Ballet version of As You Like It, to music by Mozart, with scenery and costumes by Klaus Hellenstein (521 0161).

NETHERLANDS

Amsterdam, Muziektheater. The Netherlands Opera production of Tristan und Isolde directed by Jürgen Gosch, with George Gray (Tristan), Deborah Polaski (Isolde), Jard van Nes (Brangäne) and John Bröcheler (Kurwenal). Hartmut Haenchen conducting the Concertgebouw Orchestra (Wed); the National Ballet with Adagio Hammerklavier (Beethoven/Van Manen), Symphony of the Netherlands (Andriessen/Van Manen) and Bend or Break (Meijering/Van Dantzig). (Tue, Thur). (255 455).

WEST GERMANY

Berlin, Deutsche Oper: Katja Kabanowa with Karan Armstrong in the title role. Manon Lescaut stars Pilar Lorengar, George Fortune and Giorgio Lamberti. Also offered Boris Blacher's rarely played Preussisches Märchen. The cast is led by Lisa Otto, Barbara Vogel, Helga Wisniewska and Ivan Sardi.

Hamburg, Staatsoper: The first performance in the redecorated opera house will be La Traviata. In the main parts are Nelly Miricioiu, Wolfgang Brendel and Alberto Cupido. Gluck's L'Innocenza ed il Piacer in Herbert Wernicke's production features Sophic Boulin, Christina Högman, Eva Maria Tersson and Kurt Streit. Manon Lescaut with Mara Zampiere, Rachel Joselson and Heinz Kruse.

LONDON

London Palladium: Ballet Theatre Français with Rudolf Nureyev dancing each night in a Diaghilev season.

NEW YORK

New York City Opera: Turandot joins the repertory following the final performances of a fortnight of Sigmund Romberg's The Desert Song featuring Richard White and William Parcher as Pierre Birabeau conducted by Jim Coleman in Robert Johanson's production. Lincoln Center (870 5570).

JAPAN

Japan Folkloric Art Dance Troupe: Programme consists of traditional dances from the various regions of Japan, in spectacular, colourful and highly skilled presentation. English programme notes. Yubin Chokin Hall, Shiba Park (Thur). (582 9171).

Music

LONDON

City of Birmingham Symphony Orchestra conducted by Simon Rattle with Elisabeth Söderström, soprano. Gershwin, Canteloube, Shostakovich, Nielsen, Sibelius and Prokofiev. Royal Albert Hall (Mon). (589 8212).

Royal Philharmonic Orchestra and Brighton Festival Chorus conducted by André Previn with Nigel Kennedey, viola, Walton and Ravel, Royal Albert Hall (Tue).

BBC Symphony Orchestra conducted by Gunter Wand. Stravinsky and Schubert. Royal Albert Hall (Wed).

Vienna Philharmonic Orchestra conducted by Leonard Bernstein with Peter Schmiedl, clarinet. Mozart and Mahler. Royal Albert Hall (Thur).

NETHERLANDS

Maastricht, Festival of Religious Music. Staargebouw: Musica Antique of Cologne with the Rheinische Kantorei and soloists, conducted by Herman Max: Buxtehude, Tunder, Bernhard, Weckmann (Tue); Martinus Church: Prattica Musica with a programme of religious music from the court of Versailles (Wed); Martinus Church: The Tallis Scholars: the Spanish Renaissance School (Thur). (29 38 28).

PARIS

Hommage to Nadia Boulanger, film and concert with composers, friends and pupils of Nadia Boulanger (Wed, 7pm). Concert-Rencontre at the Auditorium des Halles.

Nouvel Orchestre Philharmonique de Radio France conducted by Eleazar de Carvalho, Michel Laleouse, violin and alto: Ligeti, Philippot, Villa-Lobos (Thur, 8.30pm). Radio France, Grand Auditorium'

All the above concerts are part of the Paris Festival Estival (4804 9801).

WEST GERMANY

Berlin, Philharmonie: Philadelphia Orchestra under Riccardo Muti. Hindemith and Berlioz. (Mon and Tues); Berlin Philharmonic Orchestra, conducted by Carolo Maria Giulini, Schubert. Soloists are Barbara Hendricks, Helga Muller-Molinari, Keith Lewis, Justin Lavender, Andreas Schmidt and the Ernst-Seuff Choir. (Wed and Thurs).

NEW YORK

Merkin Hall (Goodman House): Karl Weigl Festival. Lucy Shelton soprano, Hilda Harris mezzo-soprano, New World String Quartet, George Shirley tenor, Paul Silverthorne viola. All Weigl programme (Tue). 67th w. of Broadway (362 8719).

CHICAGO

Ravinia Festival: The final week of the festival features David Schrader's recital on harpsichord, fortepiano, and organ. Scarlatti, Rameau, Mozart, Beethoven, Frescobaldi, Correa de Arauxo (Thur). Highland Park (728 4642).

FINANCIAL TIMES
BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
Telephone: 01-248 8000

Tuesday September 8 1987

Independence of auditors

SINCE Mrs Margaret Thatcher came to power in 1979 the general thrust of government policy in Britain's financial services sector has been to attack restrictive practices while simultaneously tightening up the rules for prudential supervision and investor protection. The accountancy profession has, however, been largely immune from the general trend. If anything, the tide in the accountancy world has been moving in the opposite direction.

There was, admittedly, mild sabre rattling when Sir Alex Fletcher, himself a chartered accountant, was Minister for Corporate and Consumer Affairs. But since his departure there has been some discussion, but no serious assault on the privileges of the profession has materialised. The Financial Services Act touches the profession only in its investment advisory activities; and the implementation of the Europen Community's eighth company law directive seems likely to do more to lift restrictions on the operations of British accountancy firms than to stiffen their professional sinews.

Paradoxical result

The case put by the larger accountancy firms to permit auditors to incorporate has been accepted by officials at the Department of Trade. And one of the more paradoxical results of the eighth directive is that its attempt to enhance the auditor's independence across the Community is leading to a more relaxed view in Britain over outside ownership of auditing firms. The bigger auditors are now engaged in a lively debate about how far outsiders should be allowed to take minority stakes in their own firms, which raises questions about independence that have not been heard in Britain since before the war.

Clearly the ownership structure of the accountancy profession should not be set in concrete, especially when the major firms have transformed themselves into large financial services conglomerates with wide international associations. Yet too much of this debate is concerned with the business logic inherent in that expansion, while too little emphasis is being placed on the professional issues involved.

There are numerous tell-tale pointers that the bull market which has prevailed throughout the present decade has been accompanied by questionable audit judgments, not least in the banking sector over bad debt provisions. Accounting standards, which were originally intended to provide a useful addition to the auditor's armoury when confronting difficult clients, are widely perceived to leave too much to the discretion of the client and to be poorly enforced. The potential conflict of interest inherent in the growth of the auditors' management consultancy operations is dismissed by most practitioners out of hand, despite growing signs of concern outside the profession.

As long as the bull market continues, complacency will continue to go unchallenged—although the Accounting Standards Committee has, to its credit, set in train a formal review of the standard setting process. And the Department of Trade does not appear unduly concerned that its approach to the accountancy profession differs so markedly from the criteria it applies elsewhere in the City. It continues to argue that the balance between statutory and self-regulatory arrangements in this area is broadly right and that firms must enjoy a high degree of flexibility in business management.

Potential conflicts

The test of this policy will come when markets take a turn for the worse. But in the meantime, it cannot be healthy for the big accountancy firms to look at their relatively unexciting and low-growth audit business as a loss-leader for other financial services. The requirements of the eighth directive in relation to the auditor's independence should, at the very least, prompt some statutory disclosure of the extent to which auditors derive fees from other services. There must also, as the Department of Trade argues, be some tightening up of the professional rules to cover potential conflicts where outsiders own part of the auditing firm.

The fact remains, however, that no one actively monitors the performance of the auditors or their profession. This is an anomaly within the financial services area that calls for a remedy. But it will probably take a serious financial scandal to bring it about.

Peronists gain in Argentina

THERE IS no disguising the setback suffered by President Raul Alfonsin in Argentina's mid-term elections over the weekend. The opposition Peronist Party now controls both the upper and lower houses of parliament. President Alfonsin is confronted with two basic choices: either he opts to run a minority Radical Party government for the remainder of his two year term, or he accepts some sort of power sharing deal with the Peronists.

Neither of these are comfortable choices. The situation requires considerable political skill if Argentina's fledgling democracy is to be kept on course. The burden is not just on President Alfonsin but also on the Peronists who must demonstrate they can act with maturity. Otherwise, the ingredients exist for a debilitating struggle whose only beneficiaries will be the military.

It is thus encouraging that the initial reaction of the Peronists to their electoral gains has been responsible. An influential sector of the Peronist leadership seems to realise an ideal opportunity exists to demonstrate that the party is no longer so bound to the nationalism, corporatism and bully-boy tactics associated with the late General Peron. The importance of this opportunity cannot be overstated. The Peronist Party risks being a permanent negative force in Argentine politics so long as it continues to base itself round a sentimental semi-fascistic glorification of Peron whose policies have long been discredited in practice.

Creeping inflation

However, the Peronists' current moderation is based on the belief that President Alfonsin will be obliged to work with them, either in a formal coalition government or on the basis of agreed policy changes. In terms of Argentina's stability by far the most satisfactory solution would be the formation of a coalition government. This would make the Peronists jointly responsible for policy. Since they control the powerful trades union movement it would also provide a greater guarantee of a nationally agreed economic and social programme which has eluded President Alfonsin these past three years.

On the other hand if the Peronists are now denied a say in government, it is hard not to see them declaring an all out war on President Alfonsin both on the streets and in parliament. This could revive the party's uglier side and make consensus politics impossible.

President Alfonsin suffered in the elections largely because of his handling of the economy. There has been growing disenchantment with his government's apparent inability to deliver on the initial promise of the austral stabilisation programme. Inflation has been creeping up again, growth is flat despite commitments to stimulate activity and there is a widespread feeling that the country is making too many concessions to the international financial community to service its debt and obtain credit.

Performance targets

Prior to the elections various officials hinted at the possibility of a change in economic policy, especially regarding foreign debt. The latest trade figures have highlighted a declining trend in exports, undermining the projections on which Argentina recently signed a major loan rescheduling agreement with the commercial banks. The election results suggest that a reassessment of foreign debt policy, perhaps moving closer to Brazil's position, will be one of the first consequences of the Peronists' gains, with or without a coalition government; for President Alfonsin is likely to put his own survival and that of the Argentine political process above the interests of the international banking community.

Among the options considered before the elections were the partial write-off of principal owed, the lowering of interest rates and the fixing of longer-term International Monetary Fund performance targets. If Argentina is to go ahead with any of these options it will help its own case by demonstrating that despite the setback for the ruling party coherent political leadership is still possible. In this the lead must come from President Alfonsin who still enjoys considerable moral authority; he must have the statesmanship to show that what was a bad result for him could yet prove to be a positive outcome for Argentina.

Max Wilkinson considers the macroeconomic implications of Britain's declining oil output

Beware the whirlpool of gloom

ALMOST BEFORE it has got used to being an oil-rich country, Britain is being forced to start a second, much more painful, adjustment; learning to live without oil.

The country's oil output, now at a plateau just below its 1985 peak, will soon be sliding down a fairly steep slope. In the absence of a miraculous discovery, there will be no going back; the recent spate of good news on discoveries, revised reserve estimates and development projects may soften the fall, but cannot reverse it.

Although the longer term effects on the UK economy could be profound—and Britain's self sufficiency in oil could disappear within the life of the next Parliament—the Government has been studiously relaxed about the problem.

This is partly because of the apparent ease with which the economy survived the halving of oil prices last year, and partly because the decline in oil output each year will be small compared with the size of the rest of the economy.

Oil and gas production is now worth about £13.6bn a year or 2 per cent of Britain's total output, compared with 5.4 per cent in 1987, when the price of oil was $30 per barrel. Of the present total, oil and natural gas liquids account for about £10bn. So even if every oilfield were to be simultaneously exhausted next week, the immediate loss would be equal to about two thirds of the amount by which national income grew last year.

The shock to the economy will be nothing like as severe as that, however, since the decline is expected to be spread over 15 to 25 years. Estimates by Shell UK published by the Parliamentary Select Committee on Energy this summer suggest that output will decline from the present average of 2.5m barrels a day to 1m b/d in 10 years time and perhaps 500,000 b/d by the year 2005, depending on oil prices and the oil companies' success in discovering and developing new fields.

In theory this time-scale should give Britain plenty of opportunity to adjust to living in reduced circumstances. The country has, in effect, a decade to develop new industries which will be needed to pay the mounting bills for oil imports in the later part of the 1990s.

If all goes for the best in the best of possible worlds, Britain might hope to add, say, ½ per cent to national income each year to make up for the loss of oil and so achieve an unruffled transition from being the world's fourth largest oil producer to becoming once more dependent on supplies from the Gulf and elsewhere. To enable British exports to do better in world markets, the real exchange rate will need to fall, but only by a small amount each year, perhaps less than 1 per cent.

So what is the problem, asks the mandarin. UK growth has been running at a healthy 3 per cent a year for the last five years. Exports have been doing fairly well, with the export of manufactured goods expected to show an impressive gain of perhaps 8 per cent this year. Sterling eased downwards in response to a halving of oil prices last year but did not collapse; and although the balance of payments is now moving into deficit, that should not be a serious problem for a country which has built up huge surpluses in the years of plenty.

Even so, Britain cannot escape the fact that replacing the benefits of North Sea oil will be a major exercise. Investment in exploration and development in the UK sector of the North Sea in the last 10 years (up to 1986) was £32.5bn. It ranks as one of the major post-war projects, and to replace even part of it with other industries will be a formidable task.

Moreover, since all Britain's oil is either exported or forms a substitute for potential imports, the future economic acivity which replaces oil must focus sharply on internationally traded goods, or services which can provide a similar benefit to the balance of payments. Betting shops, new motorways and fast food chains can all raise national income, but they will not help pay for foreign oil.

But the course of economic adjustment n'er runs smooth—and unlike Japan or West Germany, Britain has not proved very good at adapting. The danger is that the gradual pressures on inflation and the pound will be, so to speak, bottled up to explode in a future currency crisis.

The key to a successful transition—as it has been so often in the post-war period—will be performance on inflation and wage restraint. If only Britain could achieve lower inflation than its trading partners, its competitiveness could improve without any decline in the exchange rate.

But if inflation is worse than average, the pound will be under double pressure: from the deteriorating internal value of the currency, and from the widening hole in the balance of payments left by oil. Since a fall in the pound further stimulates inflation, the economy could once again be in need of those familiar deflationary medicines — high interest rates and spending cuts. And employment would suffer.

This is the whirlpool of dangers foreseen by the gloomier economic forecasters like those at Cambridge. Even the more sanguine Professor Alan Budd of the London Business School agrees that the decline of oil will increase the risks of inflation.

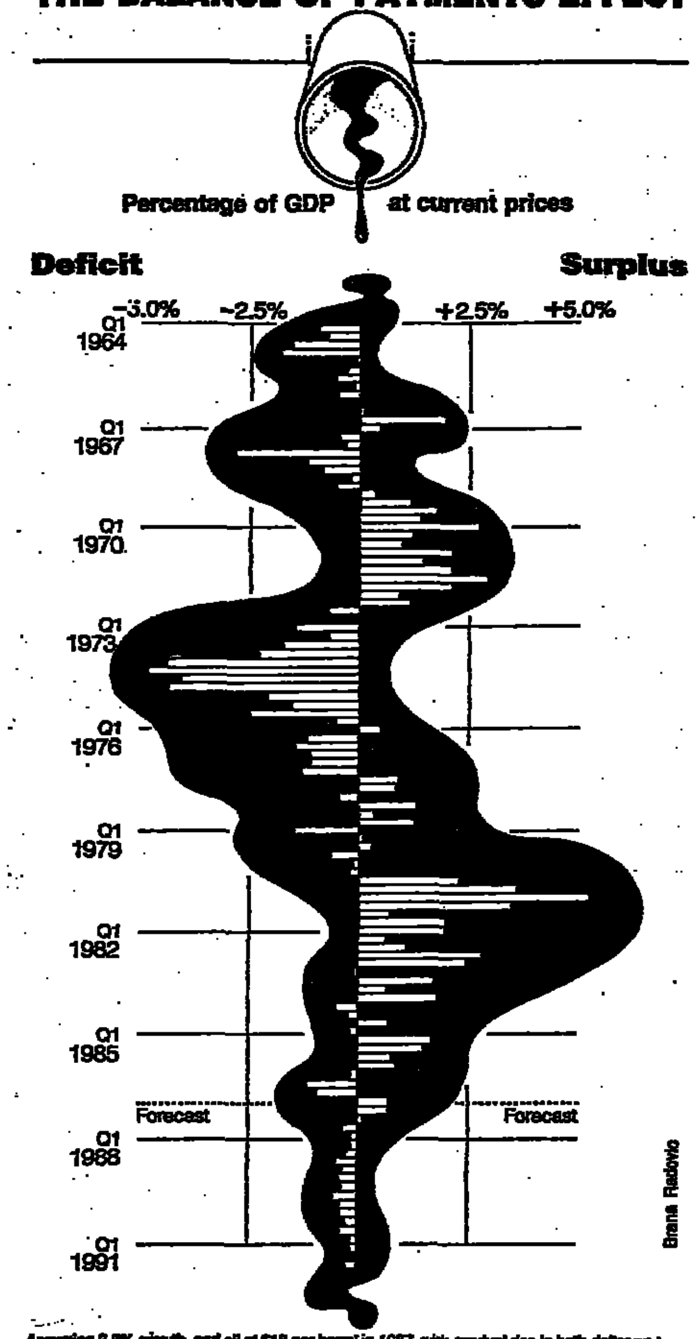
The big question, therefore, is whether Britain has used its oil riches and its respite from balance of payments worries wisely—to enable it to avoid these dangers. Or has it, like the prodigal son, blown it all on idle consumption?

The inheritance was a large one even by the standards of a developed economy, since about half of the UK oil reserves have been produced at a time of freakishly high oil prices. The value of North Sea oil on the open market has exceeded production costs and an allowance for "normal" profit by nearly £120bn in present day money according to Bank of England estimates.

The eventual value after all the oil has been produced will depend on prices in the next decade or so. At an average real oil price of around $20 (£12) per barrel, the Bank's figures suggest the total size of the treasure trove could be the equivalent of a capital sum of £270m (in 1987 money). At a price of $30 per barrel, it would be around £380bn, roughly equal to the UK's entire income for one year.

This "rent," much of it scooped up by government taxes, could in theory have provided a national "pension" for the period when the North Sea fields reach retirement. Official calculations suggest that if the Government had, for example, put the whole sum into investments (or used it to pay off the national debt), the earnings would have given Britain a permanent oil pension of between £5bn and £9bn a year in present day prices. The lower figure assumes oil prices remain at present levels in real terms. The higher figure assumes $30 a barrel.

THE BALANCE OF PAYMENTS EFFECT



Assuming 2-3% growth and oil at $18 per barrel in 1987, with gradual rise in both dollar and sterling terms thereafter Source: LBS

So where has all this money gone to? The fact that most of it accrued during the Thatcher Age has made this a highly political question, and one which historians of the period will doubtless wrangle over. One solid benefit has been the piling up of overseas net assets now worth some £114bn as a direct result of the huge outflow of funds needed to balance the trading surplus earned from oil. These overseas investments, most of them made by pension funds, will produce a steady stream of foreign currency earnings which will help the balance of payments problems in meeting future oil bills.

However, the fact that Britain's foreign assets are about equal to the North Sea endowment so far, does not mean that the North Sea rent all went into additional savings abroad. After the abolition of exchange controls in 1979, so some extent the institutions strated buying foreign assets in preference to investing in Britain.

On the domestic front, the Government is proud that its borrowing has been reduced to little more than 1 per cent of annual national income and that national debt has been steadily reduced as a proportion of income (though not in absolute terms). Oil revenues, expected to be some £57bn between 1979 and thet end of this financial year, helped it to achieve this result. This sum is equivalent to about 5p to 6p on the standard rate of income tax, so the question remains: could the Government have done better?

Some claim, for example, that all the endowment so far has been wasted on the cost of keeping 3m people unemployed. Arithmetically it is true that the government's North Sea revenues are roughly comparable to the cost of benfits plus taxes forgone as a result of the rise in unemployment since 1978.

But all such questions are shrouded in our fog of ignorance about what might have happened otherwise. A world recession following the tripling of oil prices, the historic weaknesses of Britain's manufacturing industry, and pent-up inflationary pressures all contributed to the rise in unemployment.

On the other hand oil made it much easier for Mrs Thatcher to maintain a tough anti-inflationary policy in the early part of the decade. And this undoubtedly contributed to the miseries of manufacturing in that period. The only certainty about oil revenues is that they have made the cost of unemployment more bearable to tax-payers.

The extent to which North Sea oil was directly responsible for the decline in manufacturing after 1979 has been hotly debated. As Sir Fred Atkinson, former economic adviser to the Government, and Stephen Hall point out in their book Oil and the British Economy, theorists predicted 20 years ago that the development of a natural resource would cause a relative decline in manufacturing.

The prediction, repeated by John Kay in 1980, then head of the Institute for Fiscal Studies, with P. J. Forsyth, is based essentially on the argument that oil production would displace imports and so push up the exchange rate (unless the whole of the proceeds were invested overseas). But a higher exchange rate is bound to hurt the manufacturing sector by raising the price of its goods in export markets and by making imports more competitive.

These conclusions provoked a vigorous reaction from the Bank of England, which pointed directly to Britain's present predicament. It warned that the country would be subject to a double pressure to "re-industrialise" in future: first from the renewed need to import oil and second from an expected rise in the real cost of energy. The Bank argued that it was dangerous to allow a skilled labour force to run down since it would be difficult to rebuild.

This raises the chilling question as to whether the traumas suffered by the British economy when oil revenues started to pour into the Treasury coffers will be repeated, in reverse, during the period of decline. Between 1979 and 1981, as North Sea output quadrupled in value to £16.6bn a year, Britain's manufacturing industry suffered a 14 per cent decline in output, and an extra 1m people became unemployed.

So what would happen to the UK if the world economy suffered an equivalent shock when Britain's oil output was falling, instead of rising rapily? Since the Gulf states will regain control of world oil markets as North Sea and Alaskan crude production runs down during the next 10 years, this is at least possible. Higher world oil prices would then combine with strong downward pressure on sterling to deliver a big inflationary punch. At the same time a rise in oil prices and the change in UK oil production would combine to make the country poorer rather than offsetting each other as they did in 1979.

Everything, it seems, would be going wrong at once. So even those inclined to dismiss prophesies of doom must accept that, like a patient with a mild cold, the British economy will be less able to ward off attacks of recession or inflation, at any time in the 1990s.

Perhaps the most important question, therefore, is the extent to which Mrs Thatcher's Britain has used the respite to improve labour relations, defeat the forces of inflation and to revitalise industry for the tougher times ahead. Recent figures are encouraging, but the pace needs to be sustained for a decade and more. The test is yet to come.

Oil and the British Economy, Sir Fred Atkinson and Stephen Hall. Croom Helm Ltd (1983).
The Economic Implications of North Sea Oil Revenues, P. J. Forsyth and John Kay. Journal of the Institute of Fiscal Studies Vol 1 No 3.
Adjusting to the Oil Price Fall. London Business School, Vol 11 No 1.
Bank of England Quarterly Bulletins, March 1982 and December 1986.

● The first of two articles on this subject appeared in yesterday's issue

Better health in Blackpool

At a time when most trade unions seem to have their backs to the wall, it is heartening to hear of one that is prospering.

The union in question, the ninth biggest in the UK, was distributing a glowing self-profile at the TUC Congress in Blackpool yesterday.

It had, it trumpeted, grown rapidly from 101,000 members in 1978 to 262,000 today. Some 90 per cent of its membership was aged under 30, including many part-timers and others in the supposed "problem areas" for union recruitment.

Even more: at a cost of £1.3m the union was this week launching its own glossy magazine which, on September 30, would become the first union-financed journal to be sold through newsagents.

All in all, it should have been enough to give fresh heart to even the most downcast TUC leader.

Only snag was that the union promoting itself so proudly was the Royal College of Nursing. It is not affiliated to the TUC.

Separate ways

America and Russia may be edging towards each other in Geneva over nuclear weapons, but on the way to Blackpool for the opening of the TUC Congress yesterday they came — to their surprise — face to face.

Lane Kirkland, president of the AFLCIO, the US equivalent of the TUC, found himself on the same train as Boris Averyanov, head of the international section of the Russian equivalent, the AUCCTU.

Averyanov is a long-standing visitor to TUC Congresses, but Kirkland is more used to choosing who should attend as an American delegate than attending himself. In line with the spirit of glasnost, Averyanov helpfully offered to show Kirkland round the sights of Blackpool — an offer Kirkland found himself unable to accept.

Men and Matters

Note worthy

Mike Brown, aged 32, from Surrey, a chartered accountant, is now in a position rarely enjoyed by members of his profession.

He can pay bills with £10 notes that bear his own signature.

Recently appointed as Guernsey's States Treasurer after eight years with the local civil service, one of his responsibilities is to issue the island's currency notes and coins.

The signature "M J Brown" has just appeared for the first time on an issue of £10 notes, and will eventually be on all the island's notes.

Guernsey has a full set of notes and decimal coins, and it is not simply done for prestige or for the benefit of collectors.

By buying currency at production cost, and selling it to the clearing banks at face value, the island government gets a useful interest-free loan, which can then be invested at the going short-term rate.

The local currency has to fight a battle with the English money brought in by visitors, which is equally legal.

But the States of Guernsey manages to keep about £12m of its notes and coin in circulation.

More fun

Britain is about to get a new national humour magazine that will satirise everything from Filofax to designer water.

The Truth, a glossy monthly to be launched in October, will be produced entirely on a desk top publishing system and will be "the funniest thing in print since Gutenberg" according to its publisher and editor, Stephen Caplin.

Caplin believes it will be the first national colour magazine to be produced on a desktop publishing system. It will be launched in the same month as The Digger, a new fortnightly investigative satirical rival for Private Eye.

Caplin dismisses any suggestion that there will suddenly be a surfeit of humour in British publishing.

The Truth will investigate "social politics rather than party politics" and will lampoon intellectual fads, additive-free social philosophy, synthetic sex and designer technology.

"We will be the first national humour magazine. There is no other. Punch is a dental anaesthetic, Private Eye is a scandal sheet and The Digger will be an investigative magazine," says Caplin, a 28-year-old philosophy graduate who produced a What's on Guide in Norwich for four years

The Truth, at 95p, will launch with a first print run of 70,000.

Angel's delight

A Polish policeman's lot is not a happy one.

On his beat one day a Warsaw policeman saw a block of flats on fire and rushed to the scene. When he arrived he was told that a child had been stranded on the top floor.

He sprinted up ten flights of stairs and searched for the child only to find that it had already been rescued by the fire brigade.

Unfortunately, the fire had cut off his escape. So, in desperation, he ran to the balcony and shouted for help. An angel appeared in the sky and said: "Jump I'll save you."

The policeman jumped and fell to his death.

When he arrived at the Pearly Gates, St Peter had a quick glance at his files and said: "Well, it doesn't look too good — suicide's a serious thing." The policeman protested that he'd only jumped because the angel told him to.

St Peter looked very doubtful. "If that's true, which angel was it? Here they are standing behind me." The policeman had a look and immediately recognised the angel. "That one," he said.

St Peter waved his finger and said sternly: "Popieluszko, that's three policemen already this week."

Safety first

Countries which have ambitions to be regular hosts for summit meetings must these days demonstrate a live concern for security.

At least, that is how it seemed in Quebec where Canada launched its bid to become the focal point of international summitry by hosting the so-called Francophone summit.

This get-together of the heads of state of 38 French-speaking countries will be followed next month by the Commonwealth conference in Vancouver and next year by a Group of 7 meeting in Toronto.

The Royal Canadian Mounted Police, whose officers, according to some counts, outnumbered the delegates at the Quebec meeting by more than two-to-one, was leaving nothing to chance during the conference's opening formalities.

Manhole covers in the streets surrounding the city's turreted drill hall were welded shut and both letter boxes and litter bins in the centre of town were removed.

More unusual, but no doubt equally necessary, were the measures taken against the pigeons roosting in a park near the square where the welcoming ceremony was staged. The offending birds were fed drugged seed in advance of the festivities to dull any urge they might have felt to drop in on the proceedings.

Observer

Letters to the Editor

The American experience with airline deregulation

From Professor Alfred Kahn.

Sir,—I have just come across, in your issue of August 18, the letter of John J. Nance purporting to describe the American experience with airline deregulation.

While some of Mr Nance's observations have some validity, the general picture he paints is a grotesque distortion that will surely have been totally unrecognisable to any reader of one or more of the three thorough academic appraisals of the experience that have already appeared. I concentrate on Mr Nance's principal factual assertions; that will, however, provide a more than sufficient basis for judging the credibility of his qualitative judgments as well.

"There have been brief over-publicised, overrated periods of idiotically underpriced seats offered to a few people in a few select major markets for a little while. . ."

Average yields per passenger mile have declined steadily and dramatically in real terms—ie, in dollars of constant purchasing power—over the entire period since deregulation; last year they were 28.5 per cent below the levels of 1976—the last full year before the Civil Aeronautics Board (partly under my chairmanship) adopted a permissive attitude toward discounting. Last year 90 per cent of all passengers travelled on discount tickets, at an average discount of 61 per cent from the posted (and, one must admit, increasingly unrealistic) coach fare.

"These fares have been scandalously subsidised by the hapless businessman and the poor vacationer . . ." The benefits of price competition have been unevenly distributed geographically because the intensity of competition has varied from one market to another. The differences in fares reflect also differences in cost: it is more costly to provide convenient service on thin than on dense and on short than on long routes; it is also more costly to provide the kind of frequent, convenient scheduling required by business travellers than the kind of service demanded by most vacationers, who typically pay for the tickets out of their own peckets and are generally more willing to be congregated in wide-bodied jets, with narrow seating and very high load factors. As the statistical evidence clearly establishes, fares have declined especially far in the popular vacation markets.

One study concluded that the principal beneficiaries of deregulation have actually been Mr Nance's "hapless" business travellers. Since business travel accounts for almost 50 per cent of the total, obviously most of it too fell within the 90 per cent that went at discount fares last year. In addition, business travellers have benefited especially from the availability of flights to a greater number of points, at convenient times, made possible by the dramatic increase in hubbing operations. *This hardly constitutes evidence* that deregulation has been a failure. The ultimate blame rests with the authorities that have failed to expand airport and air traffic capacity equivalently, and continue to price access to those scarce resources, idiotically, far below marginal opportunity costs.

Any one with an elementary grasp of economics will be sceptical of the popular assumption that high fares in some markets "subsidise" lower fares in others: It requires a belief that businesses would for substantial periods of time, sell some services at prices below incremental costs, and others below profit-maximising levels, until induced to increase those fares (to Mr Nance's victims) in order to "subsidise" lower fares to others. Airline companies foolish enough to engage in either of these practices for any extended period of time would quickly be driven out of any business as competitive as this one.

"Deregulation has destroyed service to hundreds of smaller communities . . ." Thanks partly (but only partly) to the subsidised essential air services programme, not a single community that enjoyed a minimum level of certificated service before deregulation has lost it. True, many towns have lost uncertificated—ie unregulated—service: 91 of them, net, between 1978 and 1984, according to one study but 137 suffered a similar fate during the decade before deregulation.

"Deregulation has . . . virtually overwhelmed the air traffic control system with an overabundance of half-empty aircraft . . ." It was under regulation that load factors hovered in the low 50 per cent range, because breakeven load factors were correspondingly low. Since deregulation average load factors have consistently been higher than in all the pre-deregulation years back to 1960. The capacity of the air traffic control system should be adapted to the volume of traffic, rather than the other way around.

"Deregulation has . . . eradicated the careers of over 30,000 seasoned airline professionals while traumatising the rest. . ." The introduction of fierce competition into a previously tightly cartelised industry has indeed exerted *severe downward pressures on* wages previously far above competitive levels, and in so doing contributed to severe and highly regrettable labour unrest. Total employment in the industry in 1986 was, however, some 37 per cent above the pre-deregulation level of 1977.

"Deregulation has . . . materially lowered the margins of safety at the hands of frantic cost-cutting." This assertion may be correct. Actual accident rates, however — per million flights — have during the 1979-86 period averaged approximately 35 to 40 per cent below the levels during the five and 10 years before deregulation. There was never any intention to deregulate safety. The Federal authorities responsible for enforcing these regulations have been grievously underfinanced and undermanned, in part at least in deference to the Federal budget deficit. The responsibility for safety, air traffic control, the provision of airport capacity and the pricing of these services ought to be taken out of the Federal budget and entrusted to an independent agency, financed by taxes on tickets and totally insulated from politics.

"In other words, we've gone through a ruinous holocaust — not a honeymoon—for nearly nothing."

The net economic benefits of deregulation have been estimated at some $6bn annually. If average airline yields had merely remained constant in real terms, rather than declining, travellers would in 1986 have paid $16bn more for their tickets (of course, many fewer of them would in this event have travelled). I find it difficult to characterise all that as "nearly nothing". Average fares may well now increase, as the industry becomes more concentrated; and, to some extent, that will be healthy.

(Professor) Alfred E. Kahn,
308 North Cayuga Street,
Ithaca, New York, NY 14850.

Charmed circle or ring fence?

From the Executive Director, Scottish Financial Enterprise.

Sir, — Selling-off various government shareholdings in the economy has emphasised the significance of official patronage for the services of the financial sector. But there are concerns about the way this patronage appears to have been dispensed — highlighted in the appointment of advisers on electricity privatisation.

Appointments for financial advice and services in 40-plus big flotations or private sales of equity in state-run enterprises since 1977 look very small as if there is a charmed circle of London institutions. Contracts worth hundreds of thousands of pounds have been placed in London by the UK ministries concerned. The experience gained has become an important internationally-tradeable skill which strengthens still further the benefits enjoyed by these advisers.

Electricity is an unusual instance where departmental responsibilities and the distinctive structure of the industry in Scotland (two Boards both generating and distributing in their different areas) required separate advisers to the Scottish Office. In the event, a Scottish-based merchant bank, British Linen, was appointed to a joint team — but one which is to be led by London-based BZW. The Department of Energy had already appointed Kleinwort Benson to advise on the England and Wales privatisation.

The Electricity Boards in Scotland (SSEB and Hydro) more sensitively made a joint appointment of Scottish-based Noble Grossart with Samuel Montagu of London to combine local special skills with the larger scale of the London institution.

There was natural disappointment with the Scottish Office in that it apparently didn't feel sufficient confidence in Scottish-based advisers to give one of them the sole or lead appointment to advise in a Scottish context (or at the very least make a genuinely joint appointment as the Boards have done). The introduction to the total UK government team of a Scottish adviser in either role would have powerfully extended the perceived "charmed circle".

The disappointment in Scotland is not due to any feeling that Scottish institutions should benefit from any closed shop for Scottish appointments. Nor is it just sour grapes that they missed the contract on their own. It certainly isn't anything to do with BZW's credentials! And at last there will be Scottish banks heavily involved in UK privatisation work.

The point, however, is that the Scottish financial community is an integral and essential part of the UK's financial sector. Ministers acknowledge its existence and encourage its members to assert their self-confidence in their skills. But government departments appear to ignore institutions outside their charmed circle and, by implication, challenge the validity of the asertion of strength in the financial sector in Scotland.

Patronage for the Scottish financial community matters because the capabilities of regions to generate significant economic and social development is dependent upon the level and range of local autonomous decision-taking. It seems unlikely that commercial considerations alone will restore major corporate headquarters to the regions from which they have emigrated over the decades. There are few signs yet of decentralisation of government decision-taking.

The regions must not be overlooked by the metropolitan centre. Lack of recognition of the achievements of self-help will exacerbate the North-South split. Any ideas of political devolution will certainly be fuelled by a fear that it may provide the only way to achieve national recognition of regional achievements and aspirations.

If ministries continue to favour the charmed circle it will produce a new kind of regional policy where the protective ring fence is around London and the City. A less parochial outlook is needed from those in the national capital if economic activity is to be encouraged throughout the nation.

(Professor) Jack Straw.
91 George Street,
Edinburgh.

The leaping gourmet cat

From Mr D. Brierly

Sir,—Mr Berchten's rubber gloves (September 1) may protect against gashed hands but they do nothing whatever to solve the actual problem: that prising open an oyster is the curse of the greedy classes. *Courage, mon vieux,* simply allow the oysters to unfreeze at room temperature for a couple of hours. The oysters may be dead but provided they were alive and healthy and closed to begin with, you will not suffer. The continued health of my family, friends and Charley (the leaping gourmet cat, wretched beast) testify to this. Ah, but do the oysters taste as good? I can only suggest an oyster-tasting, which I am sure Peter Fort would be eager to monitor.

David Brierley.
Old Farm, Harthall Lane,
Kings Langley, Herts.

UK skills shortage

From Mr J. Mason

Sir,—*I was interested to read* Charles Leadbetter's article "UK skills shortage" on September 3. The problem may well be exacerbated in the coming years, unless educational and financial policies are revised. Engineers with practical experience are being replaced by "experts in information technology." A little knowledge can be dangerous, especially when naive reliance on computer aided design is substituted for an understanding of basic physical and chemical processes and of the synergistic processes which may accelerate the degradation of materials and promote premature failures of equipment during service.

Our pharmaceutical industry is prospering, because of high expenditure on research and development. Our electrical industry has become a "lame duck," following the headlong rush into computer-aided design, with an accompanying reduction in the number of industrial and university research groups concerned with physics, *or the properties of* materials. Ingenious circuits, or machines, may prove a disaster, unless appropriate materials are available for the particular application.

In a quest for short term financial advantage, there is little interest in supporting long term investigation of complex processes which cause progressive deterioration and loss of strength of materials. Moreover, although university staff are encouraged to collaborate with industry, their opportunity for *interaction* and exchange of ideas at technical conferences is inhibted by greatly reduced support for attending technical meetings.

Apart from encouraging early retirement of experienced staff, there is scant incentive for young scientists, or engineers to remain in this country. I submit that current policies are detrimental to our country's future prosperity.

J. H. Mason.
18 Stony Wood,
Harlow, Essex.

British withdrawal from European nuclear research

From Sir Trevor Skeet, MP

Sir,—I noted (September 2) that David Fishlock envisages the possibility of a British withdrawal from CERN. (European Organisation for Nuclear Research). Such a course would be both unwise and unnecessary and set an unfortunate precedent *for a leading industrial* state in international collaboration.

Professor Abragam's interim report of June 1987 has outlined a 15 per cent reduction in staff over two years along with certain economies and improved management methods leaving the scientific capability of the establishment intact. The report emphasised that it is not always appreciated that the quality of applied research is itself directly dep*endent on that* of fundamental research although the latter is often difficult to evaluate. Britain's subscription in 1987-88 is £58m (or 9 per cent of the science budget) having risen from a more modest £32m in 1983-84 (or 6 per cent of the science budget), thanks to the declining value of the £ against the Swiss franc. Incidentally, on two former occasions in 1974-75 and 1976-77 subscriptions exceeded 10 per cent of the science budget. There is no doubt it represents an intolerable burden for Science and Engineering Research Council.

The Advisory Board for the Research Councils poses the problem in a sentence: "During the last eight years or so the upward and downward fluctuations in the exchange rate have roughly balanced out, but short term fluctuations are too extreme to be managed within the annual science budget out considerable disruption. without considerable disruption . . ."

There is little reason why science should be penalised by the vagaries of the exchange rate. Of course, HMG could pursue the Italian remedy and make international subscriptions payable through the Foreign Office vote. Through taking a longer view the Treasury could iron out without great loss the fluctuations that occur in the rate. This prescription is entirely unsuitable for bodies such as ABRC/SERC which are obliged to plan annual expenditure.

If it is accepted that HMG is not prepared to insulate large international projects from currency fluctuations then perhaps other nations could be invited to join CERN. The US would probably go it alone with the Stanford linear collider which is expected to be commissioned in 1988. On the other hand, the Japanese with their enormous surpluses on capital account might be interested in participating and thus reduce the UK share.

There is another reason for the reluctance of the UK to continue its full subscription. A decade ago the economy recovered about half its annual payments in valuable CERN contracts but this has fallen to about 20 per cent due to diminished competitiveness of British industry in this area. The trend could, however, be reversed. After all accelerators, magnets, fast computers and sensing equipment provide profitable outlets for continental manufacturers. The impact of an adverse decision on British Universities, the nuclear structure facility at Daresbury and the Rutherford Appleton Laboratory should not be forgotten. Advisory Council on Science and Technology and Centre for Exploitable Science and Technology had better get it right or stand indicted for the *destruction of another centre of* "British excellence."

It is possible that HMG has persuaded itself than this country cannot afford CERN, but is this really so? About 50 per cent of total state revenue is spent on housing, the social services and health. On the other hand, only about £4bn is entrusted to science the greater part of which is allocated to defence. It is clearly arguable that it is short sighted to spend such a vast outlay on current living when relatively little is being devoted to the technology of tomorrow upon which British survival may depend. The faint-hearted should also realise that UK has vast overseas investments second only to the US and Japan.

(Sir) Travor Skeet.
House of Commons, SW1

FOREIGN AFFAIRS

That old obsessive question

Edward Mortimer speculates on Mikhail Gorbachev's motives in allowing the Honecker visit to go ahead

"THE VISIT must not be over-analysed," wrote Hans-Dietrich Genscher, the West German Foreign Minister, last month, referring to the visit of Erich Honecker, the East German leader, to West Germany.

Some hope. If there is any subject which no West German politician or commentator can resist analysing ad nauseam, it is intra-German relations. To outsiders it can often seem that Germans are obsessed, to an almost ludicrous degree, with something called the German Question.

The Anglo-Saxon mind finds this tiresomely and unhealthily introspective, if only because one of the few things about the German Quesiton on which everyone agrees is that there is no prospect of it being answered in the near future—and, in the Anglo-Saxon view, asking questions one cannot answer is a waste of precious time. In fact that view finds an eacho in Germany too, at least from such a sensitive interpreter of German feelings as Mr Richard von Weizsaecker, the West German President.

"If we have a question to ask we want to be in a position to answer it and have it over with," he said in a speech two years ago. "And if it cannot be answered we would rather deny its existence. That is only human.

"But," he added, "questions do not disappear simply because we cannot answer them. History has proved this time and again." And he went on to quote with approval the remark of a Berliner that "the German question will remain unanswered so long as the Brandenburg gate remains closed."

So the main objective of West German policy towards East Germany is to prise the Brandenburg Gate open again, inch by inch, or — as Mr Genscher puts it — to make the Berlin Wall "more permeable through a policy of detente and co-operation." Yet the wall has only been there since 1961 and is surely a symptom, rather than the cause, of the German Question.

Of course most people in the West (not only in West Berlin or West Germany) and no doubt especially most East Germans, would dearly like to see it pulled down. But that would not in itself answer the Question. Indeed it would probably pose it in a more acute form — which is why it is not very likely to happen.

What is the Question, then? Essentially, at least in its modern (post-Second World War) form, it is the question of unity. But many Germans, including Mr von Weizsaecker, would argue that the underlying issue is German freedom. He recalled, in the speech quoted above, that there was already a "German Question" in the mid-19th century. "At that time the issue was unity and freedom. . ." The former eventually prevailed over the latter, but that, he implied, was where things went wrong. Now, in any case, "the essence of the question is freedom. A step towards unity at the expense of freedom would be a step backwards."

In saying that, he touched on an abiding anxiety of West Germany's present allies: the fear that the lure of unity might draw the West Germans away from their commitment to the common defence of the free world, alias Nato, and to the integration of the free societies of western Europe, or reunification as such. Indeed if it could be achieved, as the German right likes to dream, by a simple rolling back of the Soviet empire, most Americans would be delighted. Their fear, like Mr von Weizsaecker's, is the price the Germans might be induced to pay for it, in the form of defection from the organised "free world" and strengthening, direct or indirect, of the Soviet bloc.

Of course no one imagines that West Germans would simply acquiesce in the extension of communism to the whole of a united Germany. But what if they were offered a neutral Germany, outside alias the EC.

For France, especially, the idea of a Russo-German understanding is a perennial nightmare, going all the way back to the Dreikaiserbund, the Treaty of Rapallo, and of course the Hitler-Stalin pact. Thus the underlying French fear is still a fear of Germany itself: a fear that if Germany broke free of its bonds to both East and West, and reunited, it would inevitably become a threat once again to all its European neighbours.

That is a quite normal anxiety for a country which was three times invaded and twice conquered by Germany in 70 years. Americans, by contrast, having defeated Germany with relative ease in both World Wars, do not greatly fear German revival both Nato and the Warsaw Pact? What if the offer included allowing East and West Germans freedom to organise their domestic economy and society as they chose, provided only (on the analogy of Austria or Finland) that they remained neutral in external affairs and on polite terms with their Soviet and east European neighbours? Would not Mr von Weizsaecker himself then be tempted, since on the face of it there would be a net gain for freedom as well as unity?

If such an offer were ever made, in a way that suggested it was meant seriously, the ensuing argument would surely see the majority of West Germans on one side and virtually all their present allies — with motives containing a slightly different dosage of the American and French anxieties — on the other.

Small wonder, then, that various Western policy-makers have wondered nervously whether that, or something pointing clearly in that direction such as the removal of the Berlin wall, might not prove to be the next ace that Mr Mikhail Gorbachev pulls out of his capacious sleeves. Small wonder, likewise, that West German spokesmen are so careful to emphasise that absolutely nothing of this sort is expected from the Honecker visit.

Indeed Mr Erich Honecker, who personally supervised the building of the wall in 1961, is about the last person one could expect to bear any such message. His main object in coming, apart from the natural desire of an old man to revisit his birthplace and family, is precisely to set the final seal of West German acceptance and recognition on the existence of East Germany as a sovereign and separate state.

But what about Mr Gorbachev's motives for allowing the visit to go ahead, whereas the Chernenko regime vetoed it when it was last scheduled, in 1984? Again, some will see this as part of a diabolical plot to sow trouble between West Germany and her allies, if only by provoking the kind of "over-analysis" that Mr Genscher feared (of which this article is no doubt an example). Other elements in the plot would be the "double zero" option, and the insistence on including the nuclear warheads on West Germany's Pershing 1A missiles in the proposed US-Soviet pact on intermediate nuclear forces.

But that may be being too clever. In 1984 West Germany was in the Soviet doghouse because it had allowed the deployment of American Pershing IIs on its territory. There is no reason to keep it there, or to deny Mr Honecker his private triumph, now that Moscow and Washington have practically agreed on terms for their removal.

As for reopening the German Question, there is every reason to think that the Russians still regard that as equivalent to opening Pandora's Box—partly for the same reasons as the French, and partly because the "achievements of socialism" could hardly be called into question in East Germany without profound repercussions throughout eastern Europe.

There seems no reason to doubt Mr Gorbachev's own statements to the effect that his priority in foreign policy is to win a breathing space in which to pursu his domestic reforms. Precipitating a major upheaval in central and eastern Europe would surely have the opposite effect.

FINANCIAL TIMES

Tuesday September 8 1987

Aleksandar Lebl in Belgrade reports on the Agrokomerc financial scandal

Yugoslav local hero is caught out

"IF YOU ask me I would send him to prison for life and erect a monument to him right in the centre of Velika Kladusa," commented an informed Yugoslav on one of the biggest financial scandals in Yugoslavia since the war.

He was referring to Mr Fikret Abdic, the former president of the Agrokomerc agribusiness in Velika Kladusa, a small town in the north-western part of the Yugoslav constituent republic of Bosnia and Herzegovina.

He and his numerous associates have been accused of swindling 63 Yugoslav banks of at least 200bn dinars ($300m) by issuing promissory notes which Agrokomerc will not be able to repay. They used the money to finance various projects, not only in and around Velijka Kladusa, but also in Sarajevo, the capital of the republic.

Agrokomerc, an agro-industrial concern, employs some 13,500 people in Bosnia and exports products to 22 countries.

No one involved with Agrokomerc is being accused of making personal profit. Nevertheless, what they did has strained to the utmost the financial and banking system of Bosnia and Herzegovina, and of Yugoslavia as a whole. Unlike the West, banking in Yugoslavia is part of the country's state system. Banks are often founded by concerns and act as intermediaries to provide in-house financial services.

It has further shaken the already wavering confidence in that system and in the ability of the authorities to overcome the economic crisis. Therefore, the leaders of Agrokomerc have been unable to count on leniency, like so many before them who committed similar deeds on the same or a smaller scale and escaped unscathed.

Agrokomerc's chief executive, Mr Fikret Abdic, and his management team were dismissed yesterday, Reuter reports from Belgrade.

Agrokomerc's issue of false promissory notes worth up to $500m has rocked the country's banking sector, already struggling to cope with $20bn foreign debt.

The Tanjug newsagency reported that the police had asked parliament to waive the immunity from criminal prosecution that Mr Abdic has as a MP.

The National Bank has rejected Agrokomerc's request to be allowed to convert funds obtained through the issue of the false promissory notes into long-term bank credit.

Mr Dusan Vlatkovic, the governor, said some banks were as much to blame for the affair as Agrokomerc because they had underwritten the promissory notes after failing to check the credit rating of the company and its own internal bank, a branch of the Sarajevo Economic Bank.

What happened at Agromerc has happened elsewhere in Yugoslavia and is, in some ways, at the root of many of the country's economic problems. Eager to develop the town or one region, or a particular company, local leaders made a habit of starting projects without adequate funding.

They borrowed heavily in the country and abroad, and used short-term funds for long-term investments or issued promissory notes which they knew they could not redeem.

Local and regional banks supported them by, among other things, guaranteeing promissory notes, as in the case of Agrokomerc. Behind most technocrats who were in charge of such disproportionately lavish projects, many of which turned out to be white elephants, were local and regional political leaders.

Agrokomerc had the support of some well-known Bosnian politicians. Mr Abdic himself is a member of the federal parliament, and of the central committee of the League of Communists of Bosnia and Herzegovina, and a holder of high awards and decorations. A sufferer from a hayfever allergy, he spends several months every year in a house on the Adriatic coast and manages Agrokomerc from there.

Velika Kladusa and the region around it have been one of the least developed parts of Yugoslavia, with a high illiteracy rate, endemic diseases, a subsistence economy and low and insecure incomes. Agrokomerc, whose workforce is drawn not only from that region but also from nearby parts of Croatia, started from a small farmers' co-operative.

Largely thanks to the efforts of Mr Fikret Abdic it expanded, transforming itself into a large conglomerate. It now deals in primary agricultural production, food processing, trade, transport, tourism and many other activities. It has links with several well-known international food companies, such as Liebig.

In the process it has transformed the town and the region. That has not been an uncommon feature in Yugoslavia, where many companies did the same for their respective towns and regions. This has had the effect of increasing the expenditure on projects and thereby production costs.

The mistake Mr Abdic and his company seem to have made is that they went too far, and that they did not stop when when the climate became less favourable for development. They also violated the eleventh commandment: do not get caught.

There is some truth in Mr Abdic's claim that, had they not been exposed by some individuals and by the press outside Bosnia and Herzegovina, they would have managed to continue their development programmes and redeem their promissory notes as they had in the past.

Several Agrokomerc and local bank officials are under investigation or have been arrested. Before his dismissal, Mr Abdic, who enjoyed parliamentary immunity, said that if he were allowed to continue running the company he would straighten out everything without loss to anyone.

The communist leadership of Bosnia and Herzegovina, however, decided two days ago to recommend to the next plenary meeting of the central committee to expel him from the party The authorities of Velika Kladusa have been told to sack him from his job at Agrokomerc.

In spite of all this, Mr Abdic is considered a hero in his native town. From the local point of view he succeeded in creating thousands of jobs and building a modern town. Since this has also been achieved at the expense of other Yugoslavs he is viewed with a measure of forgiveness.

Midland shares boosted by talk of takeover

By David Lascelles in London

MIDLAND BANK'S share price extended its recent rise in London yesterday as continued speculation of an imminent takeover approach led to brisk trading in its shares. The shares closed at 505p, a gain of 5p.

Dealings were boosted by the placing of 17.5m shares of the recent £700m ($1.15bn) rights issue made by Midland to replenish its reserves. Cazenove, brokers to the issue, confirmed the placing of the rump in the market but declined to comment on rumours that it had been used by an investor to build up a large stake.

Of the newly issued shares, 33m changed hands in addition to 4.6m of the old.

The trading came as Hanson Trust, the industrial conglomerate, confirmed that it had an interest in 27.2m shares, equivalent to 5.8 per cent. This comprised 22m ordinary shares and options on another 5.2m shares.

Lord Hanson, the chairman, said in a letter to Sir Kit McMahon, Midland's chairman, yesterday: "We consider this stake to be an investment in an undervalued company." Midland said it had no knowledge that any other investors were accumulating large stakes.

Under the new Banking Act which comes to force at the end of this month, Hanson Trust will be required to notify the Bank of England of its stake if it remains above 5 per cent. However, the group will not need Bank approval unless it seeks to go above 15 per cent.

Midland Bank, which is the smallest of the Big Four clearing banks, has been viewed as a possible takeover candidate following its ill-starred venture into the US market and the heavy provisions it has had to make against Third World loans.The rights issue is a key part of Sir Kit's strategy to rebuild the bank and give it a new sense of direction.

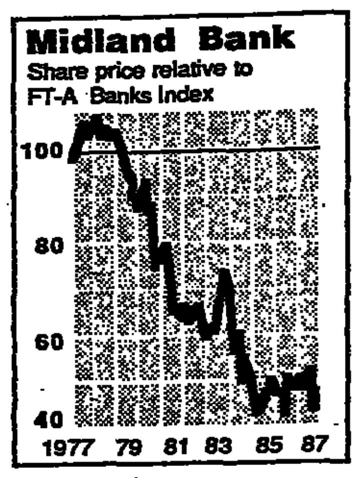
THE LEX COLUMN

Hanson banks on the Midland

If Lord Hanson has done his sums and believes that it is worth spending close to £100m of his shareholders' money on buying a 5 per cent plus stake in Midland Bank, then it is a racing certainty that other members of the smart money set in the City have also cast their eyes over the troubled group. News of the investment came on the eve of the placing of the rump of Midland's Bank's £700m rights issue and the stock market was abuzz with rumours yesterday about whether possible predators might be using the occasion to pick up strategic stakes in Britain's third biggest clearing bank which, despite the recent run-up in its share price, is still valued at a relatively lowly £2.3bn in the stock market.

Hanson Trust is roughly three times as big as Midland in stock market terms, and Lord Hanson is no novice when it comes to studying the highly politicised affairs of the London clearing banks. He spent three years on the board of Lloyds Bank and Hanson Trust has owned a small bank in Guernsey for well over a decade. However, it would take a major leap of faith to justify a scenario that saw Hanson Trust making a bid for Midland. Hanson likes mature companies with good cash flow. Midland is certainly mature but its cash flow is another matter.

Hanson Trust is not a likely bidder, but the same cannot be said for some other financial institutions which might well like to get hold of Midland before its recovery makes it too expensive. The problems of winning Bank of England approval under the new Banking Act should not prove an insurmountable obstacle to a Deutsche Bank or Hongkong & Shanghai, say. Hanson may be investing in an undervalued company but has also put it in play.



Dollar

In one sense last Friday's US discount rate rise was well timed. Yesterday's Labor Day holiday meant that trading in the dollar was subdued, allowing economists to assess the move in calm conditions. And at the Basle central bankers meeting the Bundesbank president could make off-the-cuff remarks to journalists supporting the Federal Reserve's move. February's Louvre agreement is, apparently, still in force although it is hard for outsiders to tell given that they were never let in on the secret agreed exchange rate bands, if indeed there were any.

Yet it was a touch disappointing that even in torpid trading the dollar drifted lower again, showing no signs of renewed confidence. Until the US trade figures for July are released on Friday the dollar is unlikely to do much, except that some short covering will be necessary if dealers are to square their books in time for the news. A figure much worse than June's $15.7bn deficit would set the dollar falling again. Traders will also be watching the Fed funds rate closely for signs that the Fed is snugging monetary policy. How far Mr Greenspan dares to tighten when economic growth is not exactly booming and the presidential elections are only a year away may reveal just how independent he is.

Brent Walker

The pace of expansion at Brent Walker borders on the feverish. Investors who stumped up £132m a couple of months ago for the purchase of Lonrho's casinos might have liked a pause for reflection, but instead have had a move into Goldcrest Films, the purchase of a stake in Trilian, and now a £90m property deal in London's West End. It seems rather taxing for a company with net worth in its last balance sheet of £59m.

The plans for the Trocadero site are nothing if not ambitious. The full £90m purchase price is to be raised by selling off freehold properties around the country, and all the operations are to be moved into the new site, taking up some 60 per cent of the total square footage within 18 months. The flagging Trocadero fortunes will supposedly be enlivened - planning and gaming authorities permitting - by hotels, cinemas, gymnasia and snooker clubs, and the effect on the balance sheet will be nil.

It is a formula which leaves little to chance, and Brent Walker has known failure in its time. At 373p, the shares are on a prospective multiple of around 18 - some 3 points higher than that other gambling and property business, Ladbroke. Fast growth on the one hand, asset quality on the other.

Ethical Trusts

Cynics will no doubt see the current flurry of interest in the application of morals to investment as further evidence of a decadent bull market: if profits can be made without sacrificing principles they must be dangerously easy to come by. In fact almost the opposite appears to be the case; the established ethical unit trusts, such as that run by Friends Provident, have performed particularly well precisely because of their principles. They have avoided electronics (because of the defence connection) and much of oil (because of the South African connection). And because the ethical blacklist tends to rule out a disproportionate number of larger quoted companies, the funds have benefited from the superior performance generally recorded by smaller companies in a rising market (although possibly only at the cost of accepting juicy cash offers from "unethical" larger companies).

Indeed, most funds with a specialised focus tend to outperform in bull markets, but by the same token such funds are vulnerable to exceptional underperformance in declining markets. Whether this rule of thumb will apply to UK ethical funds is impossible to judge as the oldest is only three years old. But it is a question that Abbey Life, NM Schroder and Dominion International - all of which are launching ethical investment vehicles within the next seven days - ought to have a convincing reply to, especially as they do not have the long experience of ethical management of individual portfolios enjoyed by Friends Provident and Buckmaster & Moore. The newcomers have been attracted by the recent performance record in the UK and US (where 10 per cent of funds under management are now said to be covered by ethical considerations). Having a track record on which to sell ethical personal pensions will not hurt either, come the time.

W German hostage released

Continued from Page 1

dication of what they see as their firm stance on terrorism. They strenuously denied that the release was part of a bargain which could lead to the early return of Mr Hamadei to Lebanon. However, the kidnappers - describing themselves as "the Strugglers for Freedom" - clearly indicated that it resulted from an agreement. Reports that Hoechst and Siemens each had paid ransom money of up to DM4m ($2.24m) could not be confirmed.

The kidnappers yesterday issued a statement noting "guarantees and agreed-upon promises needed to ensure the interests of all according to a set schedule."

The statement mentioned "positive attitudes." Bonn had won the gratitude of the kidnappers by resisting repeated US demands for the extradition of Hamadei, deciding instead to put him on trial in West Germany on charges of hijacking a US airliner in 1985. West Germany has been studiously neutral in the Iran-Iraq war, winning plaudits from Tehran by blaming Baghdad for starting the conflict.

West Germany has also been moving to improve its relations with Syria. It released aid funds last month totalling DM70m for commodities purchases and the financing of a cotton oil plant in Syria, and appointed a new West German Ambassador to Damascus in June. The European Community imposed diplomatic and economic sanctions on Syria last year for its involvement in terrorism.

As well as demanding the release of Hamadei and his brother Abbas, who was also arrested in Frankfurt in January, the kidnappers had been pressing Bonn to distance itself and its foreign policy from the US. In a clear attempt to step up the pressure on Bonn, yesterday's statement said West Germany was "indebted" to countries which helped to secure Mr Schmidt's freedom, adding: "The West German authorities should shoulder their responsibilities with respect to the guarantees given and promises made to certain countries."

This appeared to imply that Mr Cordes' freedom might depend on the fulfilment of conditions.

Central bankers put on display of solidarity to stabilise dollar

BY ANDREW FISHER IN BASLE

WESTERN central bankers yesterday put on a strong show of solidarity aimed at keeping the dollar stable and countering foreign exchange market fears that the Louvre Accord on currency stability was collapsing.

Mr Karl Otto Poehl, president of West Germany's Bundesbank, said that the February agreement reached in Paris was not dead. "On the contrary, I regard it as a great success."

The dollar was now, he noted, at roughly the level of earlier this year before its increase in the summer. In recent days, it has been around DM 1.80. "I am of the opinion that the Louvre Accord is still alive and valid."

Mr Poehl, also chairman of the central bank governors in the Group of 10 leading industrialised countries, was speaking against the background of Friday's half point rise in the US discount rate to 6 per cent. This received a lukewarm reception in currency markets, which felt the dollar might be allowed to fall further to help ease the US deficit problem.

In an unusual public statement during one of the regular monthly meetings of central bankers in Basle, Mr Poehl said Mr Alan Greenspan, new head of the US Federal Reserve Board, had explained the motivation behind the rate move to his Group of 10 colleagues.

On Friday, the Fed said the rise was aimed at curbing inflationary pressures, a statement which many foreign exchange dealers interpreted as suggesting that dollar stability was less of a factor.

But yesterday, Mr Poehl said on behalf of the Group of 10 governors: "It was the unanimous decision of the Group of 10 that the US move would help to stabilise the dollar. The governors are of the opinion that the stability of the US exchange rate is very desirable for both Europe and Japan."

Also discussed at yesterday's meeting at the Bank for International Settlements (BIS), which functions as a central bank for central banks, was the debt problem, especially in relation to Argentina. Mr Poehl declined to elaborate, but the latest election results in Buenos Aires have weakened the position of President Raul Alfonsin.

Monetary sources felt the widening of interest rate differentials with surplus countries through the US rate rise was an important assurance of stability. But the surplus countries themselves, the largest being Japan and Germany, had no room for rate cuts to widen the gap further, since this could upset monetary policy and increase the prospect of inflation.

Philip Stephens in London adds: On the foreign exchange markets the dollar continued to drift lower but the closure of US markets severely restricted the volume of trading.

Despite Mr Poehl's remarks, foreign exchange traders said that sentiment towards the US currency remained essentially bearish.

The general expectation that trade figures due on Friday will show little or no improvement in the US deficit during July prompted forecasts of further losses, although the traders said dollar sales were being limited by fears of central bank intervention.

The dollar closed in London at DM1.7920, down from DM1.7950 on Friday. It was marginally stronger against the yen, closing at Y141.75 against Y141.70 following modest intervention by the Bank of Japan.

Airlines try to expand network for bookings

By Michael Donne in London

AMADEUS, the joint computer reservations system set up by Air France, Iberia, Lufthansa and Scandinavian Airlines, is seeking to expand its activities with invitations to other airlines to join the group.

The four founder-member airlines each have 25 per cent of Amadeus, which has its headquarters in Madrid, with each airline subscribing equal amounts to the $270m overall cost of setting up the system, including providing the new computers and software linking their existing reservations activities.

Amadeus has offered a group of eight other airlines a collective 20 per cent share in the consortium. The eight are Finnair, Icelandair, Aer Lingus, Sabena, Air Portugal, Olympic, Turkish Airlines and JAT.

Amadeus is aware that all the non-committed airlines approached are also being wooed by the rival Galileo consortium, which comprises British Airways, British Caledonian, KLM, Swissair, Covia (United Airlines of the US), Austrian Airlines and Alitalia.

Mr Sven Heiding, vice-president of SAS for Europe and chairman of Amadeus, said that the group was also in discussion with airlines in the Far East, South East Asia and South America.

He said that Amadeus was committing the $270m to the development of the concept designed initially to bring together the existing travel reservations, hotel bookings and car hire activities of the four airlines.

There would be a computer centre to govern the system in Munich, and a research and development company in the south of France at Sophia Antipolis, near Antibes. About $100m would be spent on research and development of the software needed to link the existing reservation systems of Amadeus airlines.

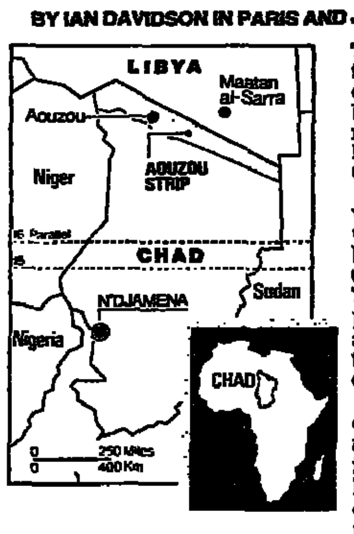
Another $150m would be spent on buying the necessary 10 to 12 IBM computers and the software equipment from System One (the computer division of the US Texas Air conglomerate), with the rest of the cash being spent on setting up other elements of infrastructure.

If other airlines joined the system, the division of the development and establishment costs would be revised to ensure that each airline bore an equal share.

The aim was to establish a fully functioning system by July 1989, and to be profit-making probably after the third year

French force in Chad shoots down Libyan Tupolev aircraft

BY IAN DAVIDSON IN PARIS AND JOAN WUCHER KING IN LONDON



THE FRENCH air defence force in Chad yesterday shot down a Libyan Tupolev 22 bomber over the capital, N'Djamena, in a further serious escalation of the conflict between Chad and Libya.

The Libyan bombing sortie was in retaliation for Chad's weekend attack on a Libyan airbase at Maatan al-Sarra, about 60 miles from the Chad border. The base was an operating point for Libyan air force jets and had been used to mount attacks in northern and southern Chad.

The Tupolev bomber was shot down by a Hawk missile, part of the French air defence system in Chad. The system, established in February 1986, also includes Mirage F1 fighters, Jaguar fighter bombers, and Transall transport aircraft.

The incident comes at a time of differences over the future direction of the war between France and the Chad Government of President Hissene Habre, which Paris has generally supported. It may also expose a rift between Paris and Washington over the conflict. The US is believed recently to have been encouraging President Habre to intensify attacks on Libyan forces.

France has made clear that it opposes military action by Chad in the contested Aouzou strip at the north of the country, which Libya held from 1973 until it was temporarily expelled last month.

Mr Jean-Bernard Raimond, the French Foreign Minister, yesterday reiterated the long-standing position that France would help to defend Chad, but that it favoured a negotiated solution to the Aouzou dispute.

"Our dossier shows that the Aouzou strip is Chadian," he said. "Nevertheless, we have always dissuaded President Habre from recourse to arms."

This was made clear to President Habre when he visited Paris in July. However, what is bound to be questioned is the degree to which President Habre believed he would enjoy American backing for his latest moves.

It is clearly not in the French interest to see the Chadian Government escalate the conflict across the frontier into Libyan territory, especially since President Habre's Government had, during the first three months of this year, inflicted an impressive series of defeats on Libyan outposts in the northern half of the country.

However, President Habre was warmly received when he visited Washington in June, and there is speculation that he would not have moved across the Libyan frontier except with political and military support from an outside power.

The US, in particular, is reported recently to have supplied significant quantities of military equipment, and some French press reports argue that the Reagan Administration could be using the Chad Government as a stalking horse in its long-standing conflict with Libya.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	26	79	Dubrovnik	S	27	81	Malta	F	28	82	Rhodes	S	26	79
Algiers	S	29	84	Edinburgh	R	16	61	Manchester	F	15	59	Rio de J'o	-	-	-
Amsterdam	F	17	63	Faro	S	30	86	Manila	-	-	-	Rome	S	28	82
Athens	S	29	84	Florence	S	28	82	Melbourne	C	13	55	Salzburg	C	21	70
Bahrain	S	36	97	Frankfurt	F	18	64	Mexico City	-	-	-	San Francisco	F	15	59
Bangkok	S	32	90	Funchal	S	28	82	Miami	S	23	73	Seoul	-	-	-
Barcelona	S	26	79	Geneva	S	22	72	Milan	S	24	75	Singapore	F	29	84
Beirut	S	31	88	Gibraltar	C	25	77	Montreal	D	18	64	Stockholm	C	16	61
Belfast	C	15	59	Glasgow	R	16	61	Moscow	C	15	59	Strasbourg	C	19	66
Belgrade	F	21	70	Guernsey	R	15	59	Munich	F	20	68	Sydney	R	14	57
Berlin	C	20	68	Helsinki	R	11	52	Nairobi	F	26	79	Taipei	-	-	-
Biarritz	S	24	75	H. Kong	F	29	84	Naples	S	30	86	Tangier	S	30	86
Bombay	F	31	88	Innsbruck	F	18	64	Nassau	-	-	-	Tel Aviv	S	29	84
Bordeaux	S	27	81	Inverness	F	16	61	New Delhi	S	33	91	Tenerife	F	28	82
Brussels	R	17	63	Islamabad	-	-	-	New York	-	-	-	Tokyo	S	30	86
Budapest	S	24	75	Istanbul	F	24	75	Nice	S	27	81	Toronto	C	18	64
B. Aires	S	10	50	Jakarta	-	-	-	Nicosia	-	-	-	Tunis	F	30	86
Cairo	S	32	90	Jersey	R	18	64	Oporto	S	28	82	Valencia	S	30	86
Cape Town	S	24	75	Jo'burg	C	13	55	Oslo	F	16	61	Venice	S	25	77
Caracas	C	27	81	Lima	-	-	-	Paris	F	22	72	Vienna	F	23	73
Casablanca	S	29	84	Lisbon	S	31	88	Peking	S	25	77	Warsaw	F	20	68
Chicago	C	31	88	London	C	17	63	Prague	F	17	63	Washington	C	23	73
Cologne	C	19	66	Los Angeles	S	17	63	Reykjavik	C	10	50	Zurich	S	20	68
Copenhagen	R	14	57	Luxembourg	R	16	61								
Corfu	S	31	88	Madrid	S	30	86								
Dallas	C	24	75	Majorca	F	28	82								
Dublin	F	16	61	Malaga	S	28	82								

Readings at mid-day yesterday

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Tuesday September 8 1987

Anatole Kaletsky in New York analyses the manoeuvring behind the auction of a key portion of the US retail food industry

Trying to tempt Europeans with a strange cocktail

TO THE refined European palate, there may be nothing particularly appealing about a cocktail of orange juice, vegetable oil and tomato sauce.

But it is by persuading Europeans to sample just such a quintessentially American concoction that Mr Donald Kelly, outgoing chairman of BCI Holdings, and his friends at Kohlberg Kravis and Roberts, the leading New York leveraged buyout firm, hope to become among the richest people in the world.

The visions of European food executives and merchant bankers jetting in plane-loads to Chicago seem to figure prominently in last week's announcement that BCI, the private company which bought out Beatrice Foods in April 1986, intends to sell its domestic food division, currently known as US Food, for "at least" $6bn.

With the announcement that US Food is on the auction block marking the final stage of liquidation of the original Chicago-based conglomerate, the Beatrice buyout is being hailed by analysts as one of the greatest deals in the history of Wall Street.

Even if the US Food sale fails to meet what looks like an ambitious price target, the superlatives will probably be justified. But as the financial world moves beyond calculating the mind-boggling returns earned by BCI's shareholders on their original leverage investment of just $417m, an obvious question arises about the forthcoming US Food sell-off. Is the asking price likely to be realised?

Mr Kelly has indicated that he is only interested in offers of at least $3.8bn for US Food, whose name is about to be changed back to Beatrice. In addition to this cash payment, anyone taking over Beatrice will have to assume the $2.2bn debt which remains in BCI Holdings – adding up to an asking price of $6bn in all.

What bidders will get for their money is a collection of prime brand names including Tropicana orange juice, Hunt's tomato sauce, Wesson vegetable oil, Swift-Eckrich processed turkey and meat products, and Beatrice Cheese, one of the US's largest cheese producers and distributors. That is unquestionably a tempting list for any company that is interested in commandeering miles of shelf-space in supermarkets up and down the country.

For example, Hunt's tomato sauce is second only to Heinz. Tropicana is an even better brand name. Although its sales may trail behind Coca Cola's Minute Maid, it is the only brandname orange juice on the US market not made from concentrate, and undoubtedly has possibilities for further growth in the premium-priced market it dominates.

But whereas nobody would dispute the quality of some of the Beatrice brand names, there is less unanimity about the company's value in terms of potential financial performance.

In 1986, the Beatrice domestic food divisions had sales of $4.6bn and operating profits of around $400m after adding back special charges related to the costs of April's leveraged buyout.

For the company's current reporting, which ends in February 1988, analysts have generally projected a turnover of about $4.8bn and operating profits of about $450m.

This kind of operating margin of 9 per cent is perfectly respectable. It would not justify a premium price by the standards of other food processing companies on Wall Street. Fox example, Quaker Oats, General Mills and Campbell Soup, three other $5bn companies considered to be vulnerable to bids, all have 10 to 11 per cent operating margins.

In fact, as the aspiring deal brokers have cast their eyes around the US, only three companies have come to mind which might have the financial wherewithal and the desire to bid for Beatrice. These are Coca-Cola, RJR Nabisco and Philip Morris.

There are, however, problems with each of these as a potential buyer. RJR Nabisco is still digesting the merger between Nabisco Brands and the RJ Reynolds tobacco company. Coca-Cola and Philip Morris have enormous cash flows and potential borrowing power. But both are hard-nosed companies which will see to it that they are not over-charged. Which is where the Europeans come in.

A lot of Wall Street's current thinking is dominated by the bigger-fool theory, which holds that foreigners will always be there to snap up US companies and shares, however high the share prices and earnings multiples might climb.

It is not surprising, therefore, that US analysts have concentrated on Unilever and Nestlé.

As Mr David Lang of London stockbrokers Henderson Crossthwaite points out, however, both these companies will be reluctant to pay much more, in terms of earnings multiples, than the figure of 15 which Unilever paid for Chesebrough-Pond's last year. Of course, what kind of earnings multiple a $6bn price-tag for Beatrice would produce would depend on many factors such as tax-charges and national accounting conventions, which will vary from one acquirer to another and could make Beatrice more attractive to Europeans than to Americans.

In the end, the price that Beatrice can command will be determined by what other similar companies could be acquired for in the stock market.

But there is a big caveat about any such calculation. Food stocks have risen sharply in the last 12 months on hopes of takeovers, none of which has yet materialised. One of the US companies most strongly rumoured as a bidder has been E-II, the company which Mr Donald Kelly has tailor-made as a personal vehicle for future acquisitions. This raises an obvious question: if food industry acquisitions are such a great idea at current market prices, why are Mr Kelly and his friends now so eager to part with Beatrice?

Fireman's Fund picks a profitable route through disaster

WHEN FIREMAN'S Fund speaks these days, other US insurance companies take offence.

Months ago, Mr Jack Byrne, group chairman, was bothered by trends in the property/casualty insurance business. He publicly voiced fears that insurers were cutting prices again, only two years into an industry-wide recovery from disastrous losses in 1983-84 caused by five years of price competition.

"He nearly got his head torn off," says Mr Jay Brown, his chief financial officer.

Based in Novato, northern California, Fireman's Fund is the US's 12th biggest property/casualty underwriter, with total 1986 premiums of $3.4bn, mainly from commercial insurance for US businesses.

Until October 1985, it was owned by American Express, which floated it off on the stock market after several bad loss-making years, and now American Express has just 28 per cent.

Yet as the nation's insurers slide into what some observers fear will be another price-war, Fireman's Fund stands out for its candour.

It has become the industry's Cassandra, sounding relatively pessimistic when other insurers are euphoric over record earnings.

Mr Ray Barrette, an executive vice president, says price increases averaged 10 per cent in commercial lines in the first half of 1987, but he claims costs are rising by as much.

"We are just treading water," he says, and the pressure on prices is building. "In Phoenix, Arizona, the competition is hot as hell," he adds.

Also, Fireman's Fund made moves this summer – including a special $360m addition to claims reserves which jolted insurance share prices in London – but now the moves look like salutary precautions against trouble ahead in the insurance world.

They exemplify the kind of steps some observers think other US insurers should be taking to prevent entanglement in another price war – though Fireman's Fund itself admits it may be five years before it knows if its strategy works.

Lastly, the company has now become what seems to be a testing-ground for the philosophy of Mr Warren Buffett, the Nebraska billionaire investor. His insurance company, National Indemnity, takes 7 per cent of Fireman's Fund's profits and losses via a reinsurance treaty and he gives the fund general investment advice.

Mr Bob Bruce, hired a year ago to head Fireman's Fund's investment department, is – like Mr Buffett – a disciple of Mr Benjamin Graham, the US investment theorist. That means Fireman's Fund is a "value investor," which keeps 60 per cent of its equity portfolio in about 10 relatively large company holdings – such as Alexander & Alexander Services, the US insurance broker – which it feels are undervalued.

This investment strategy has helped it to declare $238m in post-tax realised capital gains so far this year for the six months to June 30.

Officials in Novato play down Mr Buffett's direct influence. Yet he is a deep thinker, who believes that US insurance companies sell undifferentiated, commodity-type products, leaving them prone to the extreme cyclical-nature of a commodity-based industry.

He says US insurers have their accounting techniques awry, are usually under-reserved, and should shrink themselves from time to time – perhaps by buying back their shares – when their projected return on capital dips below acceptable levels.

Mr Buffett and Mr Byrne are also old friends. Until mid-1985 Mr Byrne ran GEICO, now 41 per cent owned by Mr Buffett's holding company, Berkshire Hathaway.

An auto insurer, selling through newspaper advertising – the cheapest form of insurance distribution – GEICO is now one of the industry's most profitable underwriters.

All this is part of what Fireman's Fund did this summer. On July 1, it pulled out of writing insurance in Massachusetts, a state where prices are tightly regulated. It was losing a net $25m a year on personal lines business and saw no hope of improvement.

On July 21, it made a large addition to reserves. This related mainly to business written in 1982-84 when, under American Express, Fireman's Fund made a disastrous dash for market share by writing big volumes of business at low prices.

Finally, on August 12, Fireman's Fund authorised possible future repurchase of up to 9.5 per cent of its shares. After already buying back nearly 5 per cent since last December.

Analysts at Salomon Brothers say half of the $360m reserve addition went to bolster two subsidiaries, writing reinsurance and specialty risks such as medical malpractice.

The rest was "a combination of eight related things," says Mr Brown, but the biggest single concern was the impact of a San Francisco court ruling on May 29 that widely expanded insurers' liability for damages claims by asbestosis victims.

Fireman's Fund was not expecting a new avalanche of asbestosis claims, but feared that the ruling would be used in the new "hazardous waste" cases

Under US law, companies such as Westinghouse, now have to clean up their old toxic waste dump sites and they want their insurers to foot the bill.

The US Environmental Protection Agency has already designated 2,000 such sites with an estimated clean-up cost of $16bn. "It is hard for me to believe that there is a site in the country where we did not have an insured party involved," says Mr Brown.

The Buffet/Byrne axis has also helped strengthen other initiatives already taken at Fireman's fund.

In October 1983. American Express sent in Mr Bill Mc Cormick to run the company. He fired 1,300 people and ended the dash for growth, so that Fireman's Fund's policyholder base has shrunk by 40 per cent.

Mr Brown says its key aspect is that Fireman's Fund is now one of perhaps only three US insurers with an Employee Stock Ownership (ESOP) plan.

What Fireman's Fund also has – which like many US insurers it lacked before – are business targets based not on market share but on rates of return on capital.

Nick Bunker

COMBINED RATIOS COMPARED*

	1982	1983	1984	1985	1986
Fireman's Fund	106.7	121	130.4	118.9	107.7
GEICO	95.4	95.5	96.9	101.9	96.4
Industry average	107.2	110.5	117.4	115.2	106.6

** The combined ratio measures claims and expenses as a percentage of premiums. The lower the ratio, the more profitable the company.*
Source: Salomon Brothers

Piccadilly shopping centre sold for £90m

By William Cochrane in London

BRENT WALKER, the fast-moving UK leisure and property development company which recently won control of the film company Goldcrest and bought eight casinos from Lonrho, has bought the 370,000 sq ft Trocadero retail and leisure complex in London's Piccadilly Circus for £90m ($148.5m).

The Trocadero, like a number of Brent Walker chairman Mr George Walker's takeover targets, has had its share of troubles under previous ownership. Its vendor and developer is Electricity Supply Nominees (ESN), the pension fund of the UK electricity supply industry, which is currently suing chartered surveyors Richard Ellis alleging negligent advice on the development.

ESN said yesterday that Brent Walker is to acquire Trocadero and a neighbouring site in London.

Neither ESN nor Brent Walker would split the £90m total consideration between the two sites. Property industry observers have been guessing at a £50m valuation for the Trocadero but last night it was being said that the cost of both sites to ESN was £80m in total.

Brent Walker said that it had been advised by agents Weatherall Green & Smith that the value of the combined properties was £90m. The consideration for the acquisition is to be satisfied in the first instance in cash financed from existing resources and unsecured facilities.

The company added that it was the intention largely to refinance the acquisition by redeploying certain freehold assets acquired as part of the Metropole Casinos purchase. Mr George Walker said he expected to lease and lease back the properties concerned.

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INTL. COMPANIES and FINANCE

Strong European and US results lift TNT to record

BY CHRIS SHERWELL IN SYDNEY

TNT, ONE of the world's largest transport groups, yesterday reported record revenues and profits for the year to June, thanks mainly to strong trading performances in Europe and the US.

After-tax profits rose by 68.1 per cent from A$49.2m (US$35.6m) to A$82.7m, on revenues up by 8.4 per cent from A$2.8bn to A$3.1bn.

Including equity-accounted profits from the Ansett airline and aircraft operations and other TNT interests, the profit *figure was up 50.9 per cent,* from A$101.1bn to A$152.6bn. Revenues surged from A$3.7bn *to A$4.1bn.*

The group gave no detailed breakdown of earnings and revenues but a *statement* said that in the UK TNT Road-freight increased its profit contribution, despite intense pressure on rates, while in Continental Europe TNT Ipec also improved profitability.

In North America, TNT Bestway and TNT Holland produced record profits as did the group's Canadian operations. TNT Pilot, another US operation, performed poorly.

Significantly, the US-based Ansett Worldwide Aviation Services, which sells and leases aircraft, made a "major contribution to results" after less than *a year of operation.*

This company, like Ansett Transport Industries, which *operates the Ansett airline in* Australia, is jointly owned with Mr Rupert Murdoch's News *Corporation. Ansett Transport* Industries also made a substantial contribution to earnings, TNT said.

Elsewhere in Australasia, TNT operations in New Zealand resulted in a loss for the year. The group said major rationalisation had been undertaken. TNT Skypak increased revenues and made a satisfactory contribution to profits.

Extraordinary losses for the year amounted to A$26m, down from A$29m. Foreign currency *losses, at A$6.9m,* were reduced from A$16.9m.

The group announced an in*creased dividend of* 15 cents, up 1 cent. Net tangible assets per share dipped from 143.8 cents to *130.2* cents, *reflecting* an increase in issued capital. Earnings per share on an adjusted basis rose from 30.2 cents to 40.2 cents.

Boral rights issue to raise A$277m

By Our Sydney Correspondent

BORAL, the Australian building products group, yesterday announced an A$277m (US$200m) rights issue with the declaration of its 17th successive annual profit increase.

Proceeds of the one-for-10 issue at A$5 per share will be used to fund expansionary moves at home and abroad, said Mr Bruce Kean, chief executive, and in the short-term to retire some debt.

Overall, after-tax operating profit *for the year to June* was up 10.3 per cent to A$178m, while revenues rose 20.5 per cent to A$2.4bn.

The profit figure was slightly below market expectations, and Mr Kean said the principal adverse factor was a 14 per cent fall in new housing approvals. The group also suffered higher interest and tax charges.

The results show the impact of the A$670m acquisition earlier this year of Blue Circle Southern Cement, Australia's largest cement producer, from its parents, BHP and Blue Circle of the UK.

Some A$13.6m of the profit came from *Boral's 74* per cent share of Blue Circle, taken over the five months to June, partially offset by *A$4.3m* in after-tax holding costs.

After extraordinary items there was an attributable loss of A$82m because the group wrote off A$270m in goodwill —A$236m relating to Blue Circle.

A revaluation of land and buildings has added A$114m to asset revaluation reserves. Net tangible assets per share rose from A$1.73 to A$1.89, while earnings per share dipped from 38.7 cents to 33.3 cents.

Woolworths sees return to black in second half

WOOLWORTHS, the Australian retail group, expects a recovery to a pre-tax profit of about A$25m (US$18m) *in its second* half and to A$50m *in* its next full year ending January 1989, Reuter reports from Sydney.

The company reported a pre-tax loss of A$14.31m in the half-year ended August 2 against a A$2.28m loss a year earlier. The net loss was A$5.21m against a A$70,000 loss a year earlier, both of which were after tax credits.

Woolworths, which is unrelated to either of the similarly named companies in the US and the UK, *said the first-half loss* was consistent with the downward trend in profits since 1986.

"Neither profit forecast is optimistic nor satisfactory but they are realistic and are the first steps on the path to a full recovery," Woolworths said.

It attributed the loss to slow sales growth, the cost of clearing excess stocks and continued growth in costs.

Sekisui House well ahead

BY OUR TOKYO STAFF

SEKISUI HOUSE, Japan's largest builder of homes, achieved a strong earnings performance in the half year to July 1987. Interim profits grew by 47.8 per cent from a year earlier to Y15.23bn ($108m). The unexpectedly large earnings were attributed to brisk sales of apartment houses and condominiums.

Lower interest rates helped improve the ratio of sales to *costs, the company said.* Net profits jumped by 48 per cent to Y7.58bn. Interim sales rose *13.6 per cent to Y279.87bn.*

Sekisui has increased its interim dividend by Y1.5 to Y9 per share and has revised its full-year earnings forecast *upward to Y32bn on sales of* Y570bn.

Tateho will not seek court protection

By Yoko Shibata in Tokyo

TATEHO CHEMICAL Industries, the medium-sized Japanese manufacturer of chemicals, which announced *that it has* liabilities well in excess of its assets following a hefty Y28bn ($198.5m) loss from bond *dealings, said* yesterday that it is not considering seeking court protection under the Corporate Rehabilitation Law (the Japanese version of Chapter 11).

Mr Shigeru Senzaki, Tateho's president, dismissed reports that the company may seek court protection from its creditors in the wake of a huge loss on its zaitech operations (short-term investment operations).

Mr Senzaki and Mr Tadashi Kawabe, Tateho's chairman, told reporters over the weekend that the company's losses in bond trading amounted to Y28bn — considerably more than the Y20bn initially announced.

Meanwhile, Taiyo Kobe Bank, the main creditor bank for Tateho Chemical, said it would try to rehabilitate the company along with seven other creditor banks. As a first step, Taiyo Kobe Bank requested Chugoku Bank to reschedule principal payments on Y1.2bn worth of impact *loans (foreign* currency loans) due on September 10.

However, Chugoku Bank is reluctant to accept the delay of the principal repayments. The eight creditor banks, including Taiyo Kobe and Chugoku which extended Y20bn worth *of loans* to Tateho, are conferring on the repayment of the Y1.2bn in impact loans.

Mr Senzaki said the company and Taiyo Kobe had urged other creditor banks to delay principal repayments on Y20bn worth of loans.

INTERNATIONAL CAPITAL MARKETS and COMPANIES

Market decline continues after rise in US rate

BY STEPHEN FIDLER, EUROMARKETS CORRESPONDENT

MOST LEADING bond markets continued to fall yesterday, after the rise in the US discount rate on Friday reawakened worldwide concern about inflation. The significance of the declines was reduced by quietness *of trading in many markets* due to the Labor Day holiday in the US.

Only the UK government bond market bucked the trend, edging higher on the back of strength in sterling.

The Japanese market led the way, rallying early in the Tokyo day but falling back later. The huge bond futures losses disclosed last week by Tateho Chemical Industries continued to unsettle the market.

In Tokyo, the yield on the benchmark No 89 ten-year bond closed around 5.52 per cent, compared with 5.39 per cent on Saturday. *As a result,* Euroyen bond prices opened about 1 point lower in London, recovering some of the losses later.

Continental European markets also suffered amid fears of a general rise in interest rates *worldwide and concern that the* ½ point US discount rate rise

INTERNATIONAL BONDS

may be followed by further increases.

Foreign D-Mark issues fell by up to a point as some yields in the domestic government bond issues rose to two-year highs. For example, 10-year federal government issues were yielding around 6.75-6.80 per cent.

In the Swiss foreign bond market, prices eased again, by about ¼ point on average.

In lacklustre London trading, Eurodollar bond prices edged lower on a Treasury market which weakened about ¼ point because of the dollar's slippage on foreign exchanges.

The primary market saw two new issues. Daiwa Europe repackaged $136m of bank-guaranteed ex-warrant bonds into floating rate notes. The notes, in the name of the sole-purpose company *Jewel II*, have a five-year maturity, priced at 23 basis points over three-month London inter bank offered rate and offered at 100.10.

The other was a $35m equity warrants deal for Riken Vinyl Industry *of Japan*. The bonds, lead managed by Yamaichi International, have a five-year maturity and a 3¼ per cent indicated coupon.

Radex issue opens later this month

By Judy Dempsey in Vienna

THE subscription period for shares of Radex, the Austrian fire-fighting equipment group, will take place between September 28 and 30.

The recently formed joint stock company will issue 25 per cent of its capital on the bourse. The price of the 850,000 bearer shares will be set just before the beginning of the subscription period.

Radex, which was once part of General Refractories of the US, *was sold for Sch 800m* ($63m) last April to the Austrian bank actng as an intermediary for a consortium of international investors which bought 75 per cent of the shares.

Radex's turnover was Sch 4bn last year with profits of Sch 38.05m. It distributed a 10 per cent dividend.

Sime Darby ahead thanks to strong second half

BY WONG SULONG IN KUALA LUMPUR

A STRONG second half, reflecting the recovery in commodity prices and much improved economic conditions in Hong Kong and Singapore, boosted pre-tax profits of Sime Darby, the Malaysian conglomerate, by 19 per cent to 181.8m ringgit (US$71.7m) for the year ended in June.

Turnover rose by 12 per cent to 2.25bn ringgit.

Sime's half year profits were down by 22 per cent at 77.3m ringgit. Group after-tax profit and *minorities was 43 per cent* higher at 84.5m ringgit.

Sime is raising its final dividend by 3 cents to 8 cents, making 11 cents for the year compared with 8 cents previously.

The results showed the benefits of the group's diversification programme, undertaken in the early 1980s, to reduce its dependence on its plantations and tractors divisions.

On a sectoral basis, the plantations division made pre-tax profits of 46.7m ringgit, or only 25 per cent of group earnings, compared with between 40 and 60 per cent *in previous years.*

● Consolidated Plantations: Profit after tax and minorities fell by 30 per cent to 28.2m ringgit. Turnover fell by 19 per cent to 486m ringgit. Final dividend is five cents, making a *total of nine cents (11 cents* previously).

● Tractors Malaysia: Profit after tax and minorities jumped 430 per cent to 21.2m ringgit, following the recovery in the logging industry. Turnover rose 19 per cent to 191m ringgit. Final dividend is 17.5 cents, making a total of 30 cents (five cents previously).

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on September 7

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	91½	92⅛	−0¼	−1½	9.85
All Nippon Air 9⅞ 97	100	99⅛	99½	−0⅛	−3⅛	10.50
American Brands 8⅞ 92	150	96⅛	96⅝	−0¼	−1½	9.83
A/S Eksportfinans 7⅞ 93	100	89¾	90⅜	0	−2⅛	9.82
A/S Eksportfinans 7¼ 92	150	91⅛	91⅞	0	0	9.66
BP Capital 9⅛ 94	100	†99⅛	99⅝	0	0	9.29
British Telecom 7⅝ 96	250	85½	86	−0⅞	−0⅝	10.09
British Telecom 8⅞ 94	150	95	95⅜	−0⅛	−1⅞	9.87
Campbell Soup 10½ 95	100	102¼	103¼	−0¼	−2½	9.94
Canada 9 96	1000	95⅛	95⅝	−0¼	−2¼	9.81
Canadian Pac. 10¾ 95	100	102⅞	103	0	−1½	10.11
CCCE 7½ 91	113	91⅞	92⅜	−0⅛	−0½	9.50
CNCA 7¼ 91	150	91⅝	92⅛	−0¼	−1⅛	9.63
Citicorp 8¼ 93	200	†90	90½	−0⅛	−3½	10.52
Credit Lyonnais 9 91	200	98⅝	99⅛	−0¼	−0⅝	9.36
Credit National 7⅞ 92	100	91⅞	92⅜	−0¼	−2⅞	9.54
Credit National 7¼ 91	150	94½	95	−0⅛	−0¼	8.76
Denmark Kingdom 7½ 92	500	90⅝	91⅛	0	−1⅛	9.70
Denmark Kingdom 8¼ 91	300	95⅝	96⅛	+0⅛	−0⅞	9.57
EEC 7 91	100	92	92⅜	−0⅛	−1⅞	9.32
EEC 7¼ 93	250	89⅞	90⅜	−0⅛	−1⅛	9.63
EEC 8¼ 96	100	89⅞	90⅜	0	−2¼	9.98
EIB 7⅞ 93	100	89⅞	90⅜	−0¼	−2⅞	9.79
EIB 9⅞ 97	150	95⅞	95¾	0	−2¼	10.09
Finland 7⅞ 97	200	85⅝	86⅛	−0¼	−2½	10.27
Finland 7½ 93	200	90	90½	−0½	−0⅞	9.71
Ford Motor Cred. 10½ 91	150	102⅞	103⅛	−0⅛	−1⅛	9.61
Ford Motor Cred. 11⅞ 90	100	104⅛	104⅝	−0⅛	−1½	9.23
Gen. Elec. Cred. 10¼ 00	200	101⅞	102⅜	−0⅛	0	9.97
GMAC 8¼ 89	200	99⅜	99⅞	+0⅛	−0⅛	8.45
Hoesch 8¼ 97	100	90	90½	−0⅛	−0⅛	9.85
Hoesch 7⅞ 92	100	93¼	93¾	0	+0⅛	9.16
Hoesch 7⅞ 94	300	91⅛	91⅝	0	−1⅛	9.70
Liberty Mutual 8½ 96	150	90⅞	92	−0⅝	−1½	10.15
LTCB of Japan 8 91	100	94⅞	95⅜	−0⅛	−0⅛	9.54
LTCB of Japan 8 97	200	85½	86	−0¼	−2⅞	10.44
Mercds.-Benz Cred. 7½ 93	100	†91⅞	92⅜	−0¼	−2	9.34
Mercds.-Benz Cred. 8¼ 92	100	97⅞	98⅜	0	−0⅞	8.73
Mitsubishi Fin. 7⅞ 93	100	†89¼	89¾	−0⅛	−3⅞	10.20
Mutual America 7⅞ 92	100	92½	93	−0⅛	−1⅛	9.73
Norway Kingdom 7¼ 91	500	93½	94⅛	−0⅛	−0⅛	9.20
Pepsico Inc. 7⅞ 93	200	90⅛	90½	−0⅛	−1⅞	9.67
Prudential Corpn. 8⅞ 94	125	94⅞	94⅞	−0⅛	−2¼	9.85
[illegible]						

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 4⅞ 94	45	93⅛	93⅝	−0½	−1⅞	5.86
EIB 4⅞ 94	40	93¼	93⅝	−0⅝	−2¼	5.85
Elec. de France 5⅛ 94	20	96⅛	96⅝	−0⅞	−1⅞	5.80
Kansai Electric 4⅝ 94	60	92⅛	92½	−0¼	−2	6.05
Norway 4¾ 92	60	94¼	95	−0½	−1⅞	5.53
SNCF 4⅞ 93	20	95½	96⅛	−0⅝	−2	5.77
Sweden, Kingdom 5⅛ 95	20	98¼	98⅝	−0⅞	−2¼	5.86

Average price change on day −0½ on week 0

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
A/B Electrolux 14½ 90 A$	50	100⅞	102⅞	0	−0⅞	13.57
American Brand 9½ 94 £	50	95⅝	96⅛	+0¼	+1	10.37
Amer. Express OC 10 94	40	95¼	96¼	0	+2½	10.85
Bergen Bank 15 90 A$	50	†101⅞	102⅞	0	0	13.74
Canadian Pac. 10⅞ 90 C$	75	101	101½	+0⅛	−2⅛	9.87
Chrysler Corpn. 10 91 C$	75	97	97½	+0⅛	−1⅛	10.16
Coca-Cola F. C. 17 90 N$	75	†101	102	−2¼	+1⅞	16.31
CoE 8⅞ 95 LFr	600	104½	105½	0	0	8.01
Creditanstalt 14⅛ 90	60	101⅛	101⅝	0	−0⅛	13.43
Denmark 7¼ 92 Ecu	100	98⅝	99⅛	−0¼	−0½	8.01
DG Finance 14⅞ 92 A$	50	105⅜	105⅞	0	−0⅝	12.71
Deutsche Bank 9⅞ 97 £	75	95½	96	+0⅛	+0⅞	10.58
Deutsche Bank 14¼ 92 A$	100	105⅛	105⅝	0	+0⅛	12.57
Dresdner Fin. 13⅞ 91 A$	100	102	102⅝	0	−0⅛	13.06
EIB 7⅞ 91 Ecu	100	99	99⅝	−0⅛	−0½	7.61
EIB 8⅝ 93 LFr	1000	†103⅞	104½	0	0	7.67
Euratom 7⅛ 97 Ecu	145	†92	92½	−0⅞	−1⅛	8.58
Finland 6 91 Fl	100	99⅝	100⅛	−0⅛	−0⅛	6.02
GMAC 9 92 £	50	94½	95	0	+1	10.43
GMAC 9¼ 92 C$	75	97⅞	98¼	+0⅛	−0⅞	9.78
GMAC Aus. Fin. 14 90 A$	50	100⅝	101	0	−0¼	13.62
Halifax BS 10⅞ 97 £	100	95½	96	+0⅛	+0¼	11.10
Helaba Fin. 13⅞ 96 A$	75	100½	101	0	+0½	13.29
Imp. Chem. Inds. 10 03 £	100	92⅞	93⅜	+0⅛	+0⅞	10.92
Imp. Chem. Inds. 10¾ 92 £	75	101⅛	101⅝	−0⅛	+0⅞	10.38
Inv. in Ind. Intl. 10 93 £	60	96⅛	97	0	+0½	10.80
Land Securities 9½ 07 £	200	†82¼	83¼	0	+0½	11.73
Leeds BS 10½ 91 £	50	98⅛	98⅝	−0¼	+0⅛	10.98
Mort. Bk. Denmark 6 91 Fl	150	98⅝	99⅛	+0⅛	+0¼	6.30
Natnl. Australia 14 92 A$	50	100	100½	0	0	[illegible]
Nationwide BS 10⅛ 93 £	75	96½	97⅛	0	+0⅞	10.90
NSW Treasury 10⅝ 92 £	50	99½	100	+0⅛	+2¼	10.66
[illegible]						

D-MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]						

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem.
[illegible]						

* No information available—previous day's price.
† Only one market maker supplied a price.

[illegible]

The prices over the past week were supplied by: Kredietbank NV; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; J. Henry Schroder Wagg and Co.; Bank of Tokyo International; Chemical Bank International; Chase Manhattan Limited; Citicorp International Bank Ltd; Daiwa Europe NV; Credit Commercial de France (Securities); LTCB International; Robert Fleming and Co.; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Merrill Lynch Pierce Fenner and Smith; Morgan Stanley International; Nikko Securities Company (Europe); Nomura International; Orion Royal Bank; Samuel Montagu and Co.; Societe Generale Strauss Turnbull; Sumitomo Finance International; Swiss Bank Corporation International; S. G. Warburg and Co.; Wood Gundy.

Prize issue planned by Nobel Foundation

By Kevin Done, Nordic Correspondent in Stockholm

THE NOBEL FOUNDATION, the august Swedish institution established in 1900 to fund the prestigious Nobel prizes, is going to the stock market.

To help safeguard the future real value of the prizes and to maintain the apparatus set up to hunt out new prize winners around the globe each year, it is floating off the bulk of its property holdings.

The real estate, located in central Stockholm and central Gothenburg, is to be placed in a new company, AB Bevaringen, to be launched on the Stockholm stok market before the end of the year, ultimately raising about SKr 250m ($39m).

The Foundation is aiming to sell out 50 per cent of the equity, but will maintain majority voting control.

This year's Nobel Prize winners—their names are due to be announced in mid-October—will each collect SKr 2.175m ($340,000), but it will be 1989 before the Nobel laureates can expect to reap the dividends of yesterday's announcement.

Mr Stig Ramel, managing director of the foundation, said that its profits should jump by more than 30 per cent *in* 1988 as a result of the flotation of the real estate holdings, creating the potential for higher prizes.

One of the foundation's central tasks is to manage the assets bequeathed in the will of Alfred Nobel, Sweden's famous inventor of dynamite and gelignite, who left most of his fortune to a foundation for awarding the annual prizes.

It has not always been easy to safeguard the real value of the original Nobel holdings. Between 1901 and 1953 the Foundation's assets lost two-*thirds of their real value*, but their portfolio management has been more successful in the last couple of decades.

At SKr 816m the year-end market value of the Foundation's assets had been nearly restored to the real value of the original Nobel estate, which totalled SKr 32m in 1900.

In the last couple of years the Foundation has prospered on the back of a surging bull market in equities in Stockholm—it has been goin heavily into stocks since the autumn of 1985—but it made its real killing in the real estate market in the mid-1970s.

It bought some prestige properties in central Stockholm and Gothenburg before the property market boom, having sold off its slumbering forestry assets.

Havas predicts 20% increase in earnings

By Our Financial Staff

HAVAS, the French advertising and media group which was privatised in May, expects 1987 net attributable profits of about FFr 315m ($53m) for 1987, an increase of 20 per cent.

The forecast, made at the annual meeting by Pierre Dauzier, the chairman, excludes extraordinary items.

Mr Dauzier confirmed that Canal Plus, the pay television channel in which Havas holds a 25 per cent stake, would soon be introduced on to the Paris second market. No date had yet been fixed for the quotation.

He said the number of subscribers to the channel—which reached 1.58m at the end of 1986, from 682,000 at the end of 1985—would rise to 2bn by the end of this year. The net profit for Canal Plus this year would exceed the original forecast of about FFr 300m, against FFr 103.3m in 1986.

Havas's turnover in 1986 totalled FFr 11.3bn, against FFr 9.95bn in 1985.

Victorian Public Authorities

IN YESTERDAY'S credits column, the terms of a facility for Victorian Public Authorities Finance Agency appeared in an incomplete form. The full terms include a margin of 5 basis points over Libor, an underwriting fee of 5 basis points and utilisation fees of 5 basis points for 40 to 80 per cent usage and 7½ basis points above that.

Deborah Hargreaves on the Wall St-Chicago clash on market share

Seconds out for US index futures

US FUTURES exchanges are preparing for the next round of the battle for market share in *stock index futures.*

The New York Futures Exchange's launch on Thursday of futures based on the Frank Russell Company's group of indices will add another two contracts to an already crowded marketplace. Meanwhile, the Chicago Board of Trade and Chicago Board Options Exchange plan to launch another stock index futures contract — the CBOE 250 — as their first joint venture product as soon as they receive regulatory approval.

Although all three exchanges insist their new products were in the pipeline before problems developed in the busy Standard and Poors 500 futures pit at the Chicago Mercantile Exchange — the field's leader by a considerable margin — they are not averse to cashing in on any displeasure with that market.

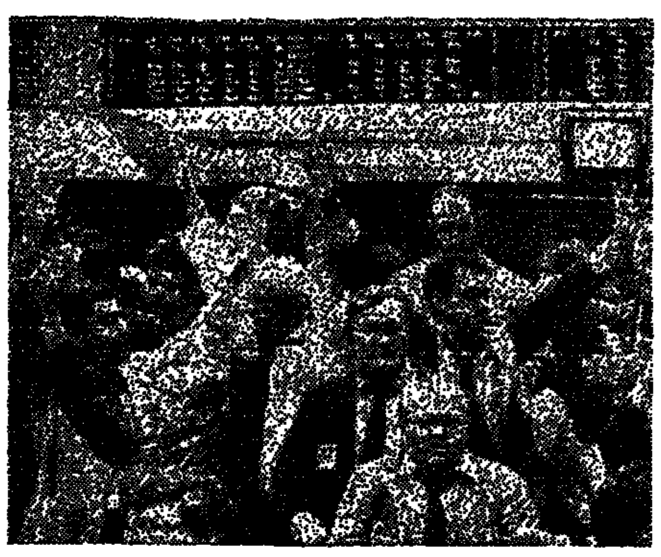
Mr Chuck Epstein, marketing director at NYFE, said: "We will take advantage of any dissatisfaction with the S&P, but those are not the primary customers we expect to attract."

The index developed by Frank Russell, a pension fund consulting firm based in Tacoma, Washington State, is based on the 3,000 largest US companies by market capitalisation, and is broken down into two contracts for futures trading purposes.

The Russell 3,000 futures contract comprises the entire *index and the Russell 2,000* covers the bottom two thirds of the overall index, the smaller capitalisation issues.

It is in the small capital market that the creators of the contract expect the Russell 2,000 to find a niche.

Mr Kelly Haughton, the Russell vice president who developed the contracts, believes there are many fund managers who would like to hedge portfolios of small capitalisation stocks but are not using futures as there is no contract to meet *their needs.* Many of these managers are familiar with the Russell index as a cash benchmark.



An active corner of the Chicago Board of Trade

On the other hand, Haughton expects the Russell 3,000 to compete with some of the more standard contracts currently in the market. In this, the contract's strength is its broad base, says Jack Barnabel, director of futures trading at Gruntal and Co.

In this respect it is suited to portfolio managers with well *diversified funds.*

Whether these will use the futures contract remains to be seen.

Though interest in US stock index futures is on the increase, many pension fund managers remain conservative in their use of hedging instruments. The proliferation of products seems certain to lead to a shake-out.

Mr Epstein insists this is already underway, with some disaffected users of the S&P 500 contract drifting towards other exchanges.

The CME has been trying to tighten its rules following complaints earlier this year about the quality of order execution in the S & P 500 pit. A vote by the membership stopped short of banning dual trading—trading on a personal basis and executing customer orders at the same time.

Instead, the CME introduced the top step rule, which prohibits personal trading from the top step of the ring, and stiffened rules on recording trades.

It seems improbable that any of the new contracts will make much of a dent on the CME's lead, and the battle for market share looks set to be played out amongst some of the smaller *market participants.* The NYFE has already said it is looking for a share of the existing smaller contract business, such as those users of the Value Line index futures contract at the Kansas City Board of Trade.

The problem with the less active contracts is one of recognition. Several indices have been set up seeking to track the Dow Jones industrial average, but the exchanges have been barred from using the well-known name. This can lead to initial confusion among market users about what an index stands for. New York's Comex, which filed an index futures contract for regulatory approval last year, eventually decided not to list it because of difficulties in distinguishing the contract from other products in the market.

The CBOT says it was looking to develop a more widely based stock index futures contract than the Major Market Index, which comprises 20 stocks, all but *three of them in the Dow,* and is traded as a futures contract in Chicago and as an option on the American Stock Exchange in New York.

Its CBOE 250 contract, to be launched jointly with the CBOE on that exchange's floor, will have a wider base, consisting of the 250 largest stocks traded on the New York Stock Exchange.

The CBOE 250 will be primarily useful as a hedging tool for traders of the CBOE's resoundingly successful S&P 100 stock index option. Between 10 to 25 per cent of the CBOE volume in S&P 100 options currently goes to the CME's S&P 500 futures pit, the exchange estimates.

In addition, the exchange is hoping to get cross-margining *facilities* in place between the two contracts, an official said. This will cut the amount of money needed for traders to put up as margin requirements.

The CBOE 250 contract is expected to get under way by *the end of this year or early in* 1988. By that time the marketplace may have shaken itself out to leave room for a new contract.

Dumez buys stake in CFE

BY TIM DICKSON IN BRUSSELS

DUMEZ, a large French construction company, has acquired a 20 per cent stake in Compagnie Francois D'Enterprise (CFE), Belgium's biggest civil engineering and construction group.

The shares came originally from the Francois family, another leading name in the sector. However, a deal was masterminded by Societe Generale de Belgique, the country's major industrial and commercial holding company, which exercised the pre-emptive rights granted in a previous agreement and which retains the 24.4 per cent stake in CFE capital.

The transactions were completed at prices close to the average Brussels bourse quotations for July and the first half of August.

Development is in line with SGB's long-term strategy of diversifying its activities.

SGB emphasised that the two major shareholders do not plan to make a takeover bid for CFE.

Mid-term fall at Bekaert

BY WILLIAM DAWKINS IN BRUSSELS

PROFITS at Bekaert, the major Belgian producer of steel wire, slipped fractionally in the first six months of this year.

The group, which last week announced plans to shed 1,400 jobs, yesterday published a first half net profit of BFr 1.54bn ($41m), down from BFr 1.58bn in the same period of 1986.

Sales prices for steel cord—cables and wire for rubber and plastics reinforcement—held level, but margins in several important export markets were cut after conversion into weaker local currencies, including the dollar. Meanwhile, volumes slipped for sales of low carbon wire.

Bekaert warned yesterday that full-year profits would be lower than in 1986 besause of a so far unquantified provision for the restructuring of its Belgian wire producing operations.

The company is planning to split its wire making division into three units to allow greater specialisation.

UK COMPANY NEWS

N America helps boost Blackwood Hodge to £3.5m

RAPID EXPANSION in North America and lower interest charges are reflected in the 30 per cent nicrease from £2.72m to £3.53m in pre-tax profits of Blackwood Hodge for the half year to June 30 last.

Mr Arthur Richards, chairman, said the six months saw the establishment of the group as a significant force in the US, the largest construction and earthmoving equipment market in the world.

The purchase of the Mitchell companies together with last December's acquisition of Roland Machinery, as enlarged by the asset purchase from Midway Equipment, combined with Blackwood Hodge Canada (now 100 per cent owned) to form the base from which the group can expand its penetration of the North American continent.

The additional activity created by both the existing and new interests in North America, where turnover rose from £33m to £59m, was the main contributor to the 35 per cent increase from £102.56m to £138.27m in total turnover.

Mr Richards said a measure of the potential of the new businesses is that the figures only include two months contribution from Mitchell yet, with Roland and Midway, they represent 70 per cent of the total turnover increase in North America.

Operating profit was up from £5.3m to £5.78m. Interest charges fell from £2.58m to £2.25m, tax took £913,000 compared with £1.01m and minority interests amounted to £124,000 (£300,000) *leaving net earnings* pe rshare of 1.84p (1.46p) or 2.09p (1.65p) on a nil distribution basis.

The interi mdividend has been raise dfrom 0.5p to 0.55p

● **comment**

Yesterday's figures provide more evidence of the distance Blackwood Hodge has travelled since 1983, when pre-tax losses amounted to £20.3m and gearing had risen to 177 per cent. After two rights issues in the past year, and three acquisitions in the US, BH is at last in a position to generate earnings growth despite its problem with unrelieved ACT. A big (say £80m) UK acquisition is planned to counter this, but in the meantime, BH will buy up more companies like Mitchell in the US where it can win good margins by selling Komatsu equipment — which is winning market *share from Caterpillar.* Investors cannot fail to be pleased with the efforts of Messrs Scobie and Richards (managing director and chairman respectively) — nor with the share price, which has outperformed significantly since the June rights issue at 43p. Down 4p to 74p yesterday, after a technical advance on *Friday*, the shares are on an undemanding prospective p/e of under *12 if BH musters £12.3m* in the full year.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div	Total for year	Total last year
Abbeycrest‡ ....int	0.65	Nov 2	0.5*	—	2p*(**)
Asset Trust ....int	1.5	—	1	—	3
A & C Black int	3.75	—	3.5	—	10.75
Blackwood Hodge† int	0.55	Nov 13	0.5	—	1
C. D. Bramall ....int	1.65	—	1.32*	—	4.47*
W. Canning ....int	1.3	Dec 1	1.2	—	4
Delaney† ....int	1.1	Nov 20	0.9	—	2.7
Friendly Hotels ...int	0.75	—	0.5	—	1.2
Hibernian Group ...int	**1.3	—	—	—	3.6
Invergordon ....int	1.75	Oct 2	1.5	—	5.25
Kleinwort Benson int	16.75	Oct 31	16.91*	31.78	33.25*
Linread ....int	1.25	Oct 20	1	—	3
Magnetic Materials‡...	2	Sept 24	1.87	2.9	1.87
More O'Ferrall ......int	1.8	—	—	1.3	5.2
My Fields" ....int	1.8	—	0.75	—	3
Persimmon ....int	3	Oct 19	2.1	—	6.3

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Third market. " US cents. ** For 16 months period. †† Irish pence throughout.

Abaco pays £14m for reinsurance broker

By Clay Harris

Abaco Investments, the financial services group, *is to expand* its reinsurance activities through the acquisition of the specialist *broker Morgan Read* & Coleman for a maximum of £14m.

The acquisition will increase total annual brokerage from Abaco's insurance activities to more than £18m, only 11 months after the group's first purchase in the sector. Abaco's other fee-based services include estate agents, mortgage brokers, quantity surveyors and loss adjusters.

MRC, a Lloyd's broker since 1977, one year after its founding, achieved pre-tax profits of £1.23m on turnover of £2.91m in the year to last November. It specialises in marine, nonmarine and aviation reinsurance.

The broker also owns 49 per cent of Canada-based IOC Reinsurance Brokers and one third of Maison G. F. Walbaum, French reinsurance broker.

It will operate separately from Abaco's other insurance activities which are held by Cayzer Steel Bowater and Burgoyne Alford.

The initial payment comprised £6.4m in cash and nearly *3.88m Abaco shares.* The transaction is based on a share price of 93.2p, but at yesterday's market price of 103p (down 3p), the total first payment is worth £10.4m — compared with the £10m figure announced.

If pre-tax profits in the year to November 1988 reach £1.53m, the vendors will receive an additional £3.6m in cash or shares, at *their* option.

Abaco has issued options, *moreover*, which could result in non-vendor executives holding 32 per cent of MRC by February 1989. Abaco has agreed to pay £6.4m in cash or shares to buy out these shares.

Powell Duffryn

Powell Duffryn has abandoned plans for the merger of its hydraulic and transmissions subsidiary, Hydreco Hamworthy, with the European hydraulic operations of Commercial *Shearing Inc into a £15m joint*-venture. In a separate announcement last week, Powell Duffryn reported that the Brierley group has taken a 1.8 per cent stake in the company.

New stores boost Mrs Fields by 12% to £4.2m

Mrs Fields, the US cookie company which made a disastrous debut on the USM last year, produced interim pre-tax profits up 12 per cent to $7m (£4.22m) on sales boosted 22 *per cent* to *$46.8m by its* 45 new stores.

Directors said sales from *existing* shores continued to grow and margins remained stable despite increased expenditure on store openings and the cost of company training, which had a disproportionate impact in the first half because of the seasonality of the company's earnings.

Trading performance remained at satisfactory levels both in the US and overseas and the outlook for growth was *excellent with the expected full*-year's benefits for the improved training programme for managers and senior staff and the larger number of stores.

Store openings for the year are expected to exceed the original target of 125 and the company is buying existing stores as a cost-effective alternative to constructing new stores.

Mrs Fields has negotiated a *$55m revolving credit facility*, enabling it to continue its store development programme and to *take maximum* advantage of buy-out opportunities.

Debbi Fields, chief executive of Mrs Fields: excellent growth outlook

As a result of the acquisition of La Petite Boulangerie, tax *rates should be lower than* previously envisaged—not more than 10 per cent for 1987, 17 per cent for 1988 and 20 per cent for 1989.

Mrs Fields plans to seek a full listing which should take place after the full year's figures are announced.

Interest payments for the six months to June 30 rose from $133,000 to $634,000 and tax from $377,000 to $700,000. Earnings per share were 42 cents (3.9 cents), and the *dividend* rose from 0.75 cents to 1.8 cents.

● **comment**

The market faced Mrs Fields' results as if it had been offered a chocolate and lemon cookie—the news of an even lower tax rate than expected looked sweet enough, but an 11.6 per cent rise in pro-forma profits is not the kind of go-ahead performance one expects from a company with this kind of rating. In the end, the combination was sufficiently unpalatable to *send the shares* 10p lower to 247p. Despite the shares' recovery since the disastrous flotation, there are still some aspects of this US company that are difficult to come to terms with—like the complex "tax-efficient" structure or the decision to spend $3m a year on a "cookie college" to train staff. Long term, such objections should be overcome as investors appreciate that Mrs Fields is a well-run company, with good products and plenty of scope for growth, at home and overseas. Just for the *moment*, the shares, rather like an overdose of the cookies, look a bit too *much* for the average appetite on a prospective p/e of 27.

W Canning more than doubled

A SHARP increase in turnover and profitability of its medical services operations saw W Canning's first half profits to June 27 more than doubled from £1.32m to £3.54m.

Group turnover for the period rose from £35.46m to £54.3m of which medical contributed £31m *compared with* £10.59m and where profits soared from £387,000 to £2.29m.

*The metals division saw turn*over dip from £6.47m to £5.99m but there was a sharp turnround from losses of £200,000 to a profit of £9,000. New plant at the precious metals refinery is expected to become operational in December and will enable this activity to become a more significant contributor to profit in *1988*.

Surface treatment chemicals activities continued to progress based *on a noticeable increase* in demand for proprietary chemicals, especially from overseas. By the end of June Mr David Probert, the chairman, said there was an increase in demand from the offshore oil exploration market which should be beneficial to trading results in the second half year.

No contributions have come in the current results from Ing Theo Henskes Gmbh and SABA, the acquisitions of which were approved by shareholders in *July*.

Mr Probert said the board expects profit for the second half to be in excess of the corresponding period of 1986 (£1.7m) despite the reduction in shareholding of Medserv.

The pre-tax profit was struck after an exceptional item of £150,000 (nil) which represents a provision for the cost of relocation of the Marston Bentley factories from Trafford Park and *Liverpool* which will take place early in 1988.

Tax took £1.39m (£577,000) and minorities £141,000 (£42,000) leaving *stated* earnings per share of 4p (4.2p). *There was an extraordinary* profit of £405,000 representing the profit on sale of shares in Rockwood Holdings.

The interim dividend is increased from 1.2p to 1.3p.

● **comment**

First, the good news: the reduction of Canning's shareholding in Medserv from 90 per cent *to* 40 per cent *has cut Canning's borrowings* from 80 per cent of shareholders' funds to zero and left *the group* with £5m cash. Now, the not-so-good news: Canning has drastically cut its stake in *the company which has provided* overwhelmingly the larger part of its recent profits growth. So where do Canning's profits go from here? In the second *half*, the saving in interest charges together with first-time contri*butions* from Henskes and SABA should help make up for the reduced share of Medserv's *profits, so the decrease from* the first half figure may yet be modest. Longer term, the theory is that freedom from Canning's balance sheet means that Medserv will be better placed to pursue acquisitions, and Canning will benefit more from being a smaller shareholder in a faster-growing com*pany: meanwhile, the* cash has given Canning the ability to make acquisitions of its own. *Pre-tax profits of £6m this year* and £7.25m next have the p/e multiple dropping from 15¾ to 12½ at yesterday's 292p—not overly demanding given the perennial touch of bid speculation.

Control Securities improvement

Control Securities, property investment and dealing concern, returned to the black in the second six months to March 31 1987 to cut overall full-year losses before tax from £3.38m *to £606,000.*

However, as a result of several substantial property *acquisitions since March*, there had been a major transformation and strengthening of the company. These had rendered the results somewhat academic, the board said, and thus not a reflection of the improvement in opportunities that existed.

With losses per 10p share at 0.7p (8.1p), there is again no *dividend*.

At the annual meeting, shareholders' authority is to be sought to apply to the *Court* for permission to set off the present deficit on the Profit and Loss account and thus enable dividends to be resumed at an early date.

The board said the strengthening of the company's balance sheet, the broadening of its activities and the close relationships being established with major property groups, were very *encouraging* developments.

Hibernian ahead

Hibernian Group, the Dublin-based underwriter which is listed on the London Stock Exchange, increased its pre-tax *profits by almost I£2m* in the six months to June 30, 1987. The figures rose from I£763,000 to *I£2.75m*.

Premium income rose considerably from £54.66m to £61.61m, and investment income was higher at £11.3m compared with £9.66m. There was an underwriting loss of £8.56m *against £8.9m.*

The company is paying an interim this time of 1.3p—last year one payment of 3.6p was made. Stated earnings per share were 2.7p (0.9p) after tax of £1.37m (£382,000).

Asset Trust ahead

Pre-tax profits of Asset Trust increased from £518,797 to £703,580 in the first half of 1987, on turnover of £1.04m against £896,092.

After tax of £241,158 (£198,962) earnings per 10p share were 3.16p (2.28p) basic or 2.83p (1.99p) fully diluted. The interim dividend is raised 50 per cent to 1.5p (1p).

The company said prospects for the *continued* growth of its fund management and investment business were very encouraging.

Operating profits rose sharply from £223,000 to £431,466, but investment income was lower at £272,114 (£295,797).

BET has issued a further 1.3m ordinary shares in ADR form to meet excess demand following the launch last month of its ADRs in the US and Canada. Total gross proceeds are now *US$109.7m (£69.7m).*

Persimmon profits more than doubled

INTERIM pre-tax profits of Persimmon, residential builder and developer, more than doubled from £2.02m to £4.78m, while turnover for the first half of 1987 rose 67 per cent to £30.36m.

The average selling price of the company's homes increased by 12.7 per cent between the first half of 1986 and the same period this year. Pre-tax margins improved from 11 per cent to 15.7 per cent.

The group's policy is to achieve a more balanced spread of profits between the first and second half of each year. Up to 1986, less than one-third of its annual profits were earned in the first half of each year. *In* 1987, however, the proportion of profits made in the first half is expected to be greater than previously.

Earnings per share advanced from 9.8p to 19.7p and there is an interim dividend of 3p (2.1p). A three-for-one scrip issue is also proposed. Last year, a total of 6.3p was paid *on* £6.09m profits.

The company's land bank has increased to over 8,000 plots across the country. All its eight established operating subsidiaries are trading satisfactorily, while Persimmon's new companies in the south-east and *the north-west are building and selling homes on the first sites.*

First-half interest charges were higher at £861,000 (£589,000). Tax charge rose from *£744,000* to £1.68m and net profits were £3.1m, against £1.27m. The dividend absorbs *£471,000 (£264,000)*.

● **comment**

The extent of the lurch of profits towards the first half was a pleasant surprise and is an indication of just how quickly Persimmon is developing into a mature, quality *housebuilder that doesn't spend* its time worrying about making purely speculative gains on its land bank. The company's functional approach is illustrated by the mix of property its bank contains — about half the 8,000 plots (enough to last almost five years at the current build rate) are owned outright, with the rest contracted to the company through licensing arrangements with local authori*ties or landowners. This keeps* the gearing trim — £12m in net debt by December 31 will represent just under half of shareholders' funds. Record forward sales in July and August should keep the pot boiling until the year end — when the City is *expecting* pretax profits of £11m to be posted. The shares, at 560p, are trading on a *prospective multiple* of 12¾ — ex the quartering implied *in the three-for-one scrip*, 150p looks an easy target to reach.

Magnetic Materials seeks further acquisitions

Magnetic Materials Group, the USM-quoted manufacturer and supplier of magnetic and *plastic components*, increased pre-tax profits by 32 per cent from £1.33m to £1.76m in the *year ended* June 30. Turnover increased by 9 per cent from £13.53m to £14.76m.

Mr Eduard Michaelis, chairman, said yesterday that the increase in trading margins reflected the measures taken early in the year to strengthen marketing effort and to control costs more tightly.

The group *had established* itself as a leading supplier of magnetic materials and had *extended its manufacturing* activities.

"From our established European base our aim is to develop the group as a significant international supplier concentrating on specialised, rather than volume markets," said Mr Michaelis.

The reorganisation and capital expenditure of £3.2m in 1987 in modern plant would secure the future effectiveness of the group, *he added*.

Mr Michaelis referred to the group's acquisition of a small *but now expanding company in* the UK manufacturing special electronic components. "We are continuing to seek more substantial acquisitions, and we would consider entering into joint ventures with international companies, for which we would provide a UK base or co-operate with them in the development of new products."

The order book for the majority of the group's products *had strengthened throughout* the calendar year 1987 and combined with current rationalisation and a strong cash position to support further capital *expenditure and acquisi*tions, augured well for the future.

The directors recommended a final dividend of 2p (1.87p), making a total dividend for the year of 2.9p (1.87p).

After taxes of £483,000 (£288,000), dividend payments of £512,000 (£331,000), and an extraordinary item (mainly restructuring costs) of £384,000 (£67,000), earnings per 10p share came to 7.5p (6.3p).

● **comment**

The recovery at Magnetic Materials is continuing, slowly but surely. Yesterday's figures, while still below the halcyon heights of 1985, indicate that the new management is on the right course. The rationalisation *of Neosid, the soft ferrite divi*sion, has begun, and while the undertaking—moving five sites along the A1 to a single base in Letchworth—has constrained capacity for the moment, the cost has been subsumed by the property sales. Overseas sales must grow, the present 50/50 split needs to move towards *two-thirds* overseas, one *third* domestic. Europe is seen as the growth market. The Canadian *operation*, under *new management* since its first half loss last year, has picked up. Assuming the company sticks to what it is best at, reasonably small volume specialist business, it could see a return to 1985 figures this year. With expectations of pretax profits of £2.2m, the shares, up 2p at 130p, are trading on a *reasonably fairly* rated prospective p/e of about 15.

UK COMPANY NEWS

Mersey Docks rises 23% but pressure on margins

DESPITE INCREASED pressure on margins, brought about by intense competition for additional trade, the **Mersey Docks and Harbour Company** still managed to push its profits up by 23 per cent to £1.26m pre-tax for the first half of 1987.

Mr Bill Slater, new chairman, said cost levels in the Port of Liverpool's operations had continued to be rigorously controlled through EC intervention and had temporarily delayed the implementation of the latest voluntary severence scheme and the anticipated savings.

He added that Mersey Docks would not now feel the benefits of improved working practices negotiated as part of the current two year pay deal until part way through the second half of the year.

Turnover for the first half was little changed at £25.84m

Earnings worked through at 6.3p (5.1p). A distribution of 1p per combined unit was paid in August out of the final balance proceeds from the South Docks.

In referring to the company's 1983 decision to seek to develop the Princes Dock area Mr Slater said the latest prospective partner in this venture, Errill Holdings, had outlined a scheme which would involve retail and office developments, an exhibition hall, a museum, an hotel and a ferry terminal.

He emphasised, however, that the proposals were at a very early stage and that the financing arrangements and the extent of the company's involvement were still the subject of preliminary discussions.

It may be some months before Mersey Docks hears whether or not outline planning permission for the development has been granted.

Redland in £22m US disposal

By David Waller

Redland, the building materials group, has disposed of Gang-Nail Systems Inc, its US based connector plate and wood products subsidiary, for $36m (£21.8m) in what it described as a "tidying-up exercise."

"It no longer fits into our portfolio of businesses," said Mr Robert Napier, Redland's managing director. "Since we *bought it in the earl y1970's*, Redland has refocussed on a limited number of product lines. Gang-Nail is a timber-relate dbusiness and we're no longer in timber."

Redland, which recently secured control of Monier, the Australian building products company and announced pre-tax profits of £130.7m for the year to March 28, said that Gang-Naiu made a small operating profit i nth elast financial year on turnover of $100m.

Gang-Nail is to be sold to MiTek Industries, a private US competitor. Of the purchase price, $35m will be received in cash on completion, which will be used to reduce Redland's US borrowings.

Redland's shares eased 2p yesterday to close at 512p.

Threefold advance by Friendly Hotels

BY CLAY HARRIS

Friendly Hotels, the small, but fast-growing chain which has diversified into restaurants, serviced offices and nursing homes, more than trebled pre-tax profits to £544,296 in the 25 weeks to June 21.

The advance from £171,378 in the first six months of last year was achieved on turnover ahead by a similar factor to £5.1m (£1.5m). Friendly forecast higher profits in the second half, in line with the seasonal pattern of the group.

The interim results did not include any material contribution from Connaught Restaurants, the London catering concern bought for £2.8m in April. Reorganisation of the operation had been completed, Friendly said.

Construction has begun on the second Friendly Lodge, the group's tenth hotel in all. Like the first Friendly Lodge, at Milton Keynes, the Walsall facility will be jointly owned with British Land and managed by Friendly. Hotels in the new three-star chain will be built in strategic locations near motorways.

Mr Henry Edwards, chairman and chief executive, joined Friendly after Comfort Hotels—where he held the same top management roles—was taken over by Ladbroke Group in 1985.

Some former Comfort properties are likely to be included in Ladbroke's planned disposals in the wake of last week's agreement to buy Hilton International for $1.07bn (£645m). Mr Edwards said yesterday that Friendly's interest would depend on which hotels were being offered and at what price.

With earnings per share ahead by 37 per cent to 2.64p (1.93p), the interim dividend is increased by 50 per cent to 0.75p (0.5p). Friendly shares added 4p to 285p.

Near £6m loss for Jebsens

By Terry Povey

Jebsens Drilling, the offshore drilling company which in March announced that *it planned to sell all its rigs* and wind up its business, yesterday reported a pre-tax loss of £5.8m for the six months to June on a turnover of £1m.

In addition to this loss, a further £2.5m share of the losses of Pacnorse Drilling Corp I, the 25 per cent-owned associate, has been taken along *with a £600,000 provision* to cover the write-down to zero of Jebsen's investment in PDC.

Jebsens has reached a conditional agreement with Midland and Scottish Group and its principal bankers whereby MSG has agreed to subscribe for new shares in the company—giving MSG a controlling interest in *Jebsens*.

The banks have agreed to a restructuring of loans provided shareholders accept the MSG subscription plan. Loss for the first half of 1986 totalled £11.3m from a turnover of £8.3m.

Andre De Brett profit hit by household goods side

Andre De Brett, USM-quoted direct mail order house, reported lower pre-tax profits of £55,000 for the year to March 31 1987 compared with £168,000 last time.

The company's entry into the household goods market had not been successful. There had been a substantial increase in production and mailing costs and bad debts relating to the new products had proved to be unexpectedly high, Mr J. D. Linton, chairman, said.

Turnover improved from £5.57m to £6.35m, and the chairman, said that during that current year it had increased further. He was confident that reversion to the company's traditional markets, in particular ladies' and men's fashions for the larger sizes, and the improvements in designs to be featured in the next catalogue should lead to a recovery in the profits trend.

The Norwegian and Dutch companies had both increased turnover, but their results would also have been better but for the costs of including household goods in their catalogues in common with the UK. The company's new shop in Sweden, which was promoting mail order sales through the Norwegian catalogue, suffered initial trading losses.

The UK fashion shops were continuing to make good progress, however, and the chairman said they should add to group profitability during the current year.

Operating profits fell to £161,000 (£280,000) and net interest payable was £106,000 (£112,000). There was a tax credit of £31,000 (debit £31,000), after which earnings per 10p share came out at 1.07p (1.71p). No dividend (0.25p) is recommended.

There was an extraordinary £26,000 (£46,000) debit.

Booker buys 90% of Loseley Dairy

Booker, financial services, *agribusiness and food distribution* concern, has purchased 90 per cent of the issued share capital of Loseley Dairy Products. Loseley produces high quality dairy products and is best known for its ice cream.

Booker is paying an initial £2.8m with additional amounts depending on the performance of Loseley over the next five years with an option to acquire the remaining 10 per cent.

Since 1981, Loseley has expanded geographically into western England and the West Midlands. It has also developed sales to major national multiples, which now account for 30 per cent of total sales and 35 per cent of ice cream sales. The business will continue to be managed from the Loseley estate in Surrey by the existing management team.

Reduced year-end profits warning by John Williams

BY FIONA THOMPSON

John Williams of Cardiff, the steel stockholder and iron foundry operator, yesterday warned that its September 31 1987 year-end profits would not be as good as might have been expected due to changes in the foundry.

The company has recently invested in new metal treatment equipment and an automatic pouring furnace in the foundry. Mr David Williams, chairman and managing director, said yesterday that the company had *underestimated* the subsequent higher technical standards needed.

As a consequence, the results of the foundry in the past two months had been unsatisfacry and would, in turn, adversely affect the figures for the current year.

Mr Williams said that as the year-end *results would not be* reported until mid-December at the earliest, the company felt it should "tell people straight away, rather than allow a false market to arise." He stressed, however, that the problems being experienced are short-term.

The foundry division represents 85 per cent of the group's sales. For the half-year to March 31 1987, the company reported pre-tax profits of £186,000 on turnover of £5.65m.

The share price fell by 5p to 76p yesterday.

Granada French deal

Granada Group is extending its activities in Europe with the acquisition of an initial 19.5 per cent holding in the French production company, Pipa Video.

Consideration will be between FFr 8m (£0.8m) and FFr 12m depending on future profitability. The company has the option to increase its holding in Pipa to 35.2 per cent at the same price per share as the initial purchase.

ANGLO AMERICAN Agriculture, the rapidly expanding Californian plantation management group, boosted pre-tax profits to £277,615 (£174,749) and turnover to £1.008m (£651,000) in 1986. A dividend of 1.75p is proposed. The compan yalso announced that it was planning to make an application for full Stock Exchange listing.

Orchid raising up to £9.3m in US issue

By David Waller

Orchid Technology, US-based manufacturer of computer *software products, which* obtained a USM quote last April, is to raise between $13.2 and $15.4m (£8m to £9.3m) by way of an issue of new shares in the US.

The issue of 1.1m shares at between $12 and $14 a share, will coincide with a one-for-five consolidation of the existing shares designed to bring the sterling - denominated securities into line with the price of the new shares.

Philips and Drew, Orchid's UK advisers, said yesterday that the new shares would be traded on NASDAQ, the US over-the-counter market.

Shares in Orchid, which last September surpassed its flotation forecast with pre-tax profits of $6.51m on turnover of $24.99m in the year to June 30 1986, were unchanged at 151p.

Monks & Crane makes £5.25m fixings purchase

Monks & Crane, USM-quoted distributor of industrial consumables, engineers' tools, safety equipment and protective clothing, is buying for £5.25m Structural Fastenings Group, a fixings distribution and manufacturing company.

Consideration will be satisfied by the allotment of 2.33m new ordinary shares and in order that certain vendors may receive cash some 1.11m shares will be placed with investment clients.

The acquisition follows the August purchase of H.E.L.D. Fixings and extends Monks' *interests into fixings manufacture.*

Mr Albert Spacie, Monks chairman, said that SFG would "add considerable strength to our existing fixings and tool distribution centres by increasing and improving the product range available to our professional user customers."

Adjusted taxable profits before directors' remuneration in excess of proposed future arrangements of SFG for the year to February 28 1987 were £672,000 on turnover of £6.57m. Adjusted net essets at that date were £1.8m.

GrandMet in £9m Irish acquisition

Grand Metropolitan is buying MacCormac Products and Connacht Foods, two specialist milk powder businesses in Ireland, for a profit-related consideration of about I£10m (£9.01m).

The two companies, which had combined sales in the year to February of I£26m, make and trade fat-filled milk powders for human and animal use. They are being bought by Express Dairy, the Irish subsidiary of Express Foods Group (International), Grand Met's foods division.

Second Alliance shows growth

Net asset value per 25p share at **Second Alliance Trust** improved from 898p to 1,152.3p in the year to July 31 1987. The total dividend is raised from 18.5p to 21p net with a final up from 12.5p to 14p. Stated earnings per share rose by 10 per cent, but by *almost 22 per cent* adjusted for the exceptional dividend from the leasing company received last year.

The quoted equity portfolio disposition is 45 per cent UK, 38 per cent US, and 9 per cent elsewhere with 3 per cent unquoted Cash reserves of 5 per cent indicated a somewhat cautious view of stock market levels.

Dividends and interest received *during the year totalled* £6.53m compared with £6m. Revenue before tax was up from £5.77m to £6.27m. Tax took £1.96m (£1.85m).

A C Black checked by quiet trading

QUIET trading conditions and delays in publication of certain new books checked the advance in pre-tax profits of A & C Black to just £10,000 to £324,000 in the six months to June 30 last.

Publishing margins improved further, however, for turnover in the period was down 7 per cent from £2.56m to £2.39m.

Tax amounted to £113,000 (£118,000) and there were no extraordinary credits this time (£36,000) leaving net earnings per share to emerge at 15.6p (14.8p).

The interim dividend is increased from 3.5p to 3.75p; last year's total payment was 10.75p.

COMPANY NEWS IN BRIEF

ARMITAGE BROTHERS (manufacturer and distributor of pet products) increased its pre-tax profits from £453,000 to £615,000 in the year to May 31 *1987. The total dividend is in*creased from 3.5p to 4.5p net with a final of 2.5p. Stated earnings per 10p share improved from 6.3p to 10.2p. Group turnover rose from £16.58m to £17.02m.

OFFICE ELECTRONIC Machines: Overseas Strategic Investments holds 1,167,500 shares (19.06 per cent) as at August 20.

KLEINWORT BENSON International Income Bond Fund: Net asset value per share was £5.48 (£5.66) for year ended September 2, 1987. Net revenue £2.98 (£2.18m). Final dividend 16.75p gross making 31.78p (33.245p).

HILLSDOWN HOLDINGS has acquired Rowe, Manchett & Till, a company engaged in potato growing and marketing. Consideration will be satisfied by the issue of 505,668 ordinary shares and cash of £1.52m.

KLP GROUP has acquired through its subsidiary, KLP International, a 30 per cent stake in Marketing Communications, Australia's largest marketing services group, for about £800,000. KLP said the move into the Australian market spearheaded its ambition to expand in South-East Asia.

HEWETSON'S sales and profits for the first four months of the year were well ahead of the corresponding period, the chairman told the annual meeting. The rate of order intake, particularly for raised access flooring, was at a record level, *and he* anticipated that the interim results for the half year to end-September would show an appreciable increase on last year.

ANTOFAGASTA HOLDINGS: VTR Telecommunicaciones SA, owned by Antofagasta, Siemens and Madeco, has acquired the interests of ITT Central America Cables and Radio in Chilean-based ITT Communicaciones Mundiales. VTR will have 65 per cent of the international and 30 per cent of the national telex business in Chile, and becomes the market leader in Chile telecommunications.

BET has issued a further 1.3m ordinary shares in ADR form to meet excess demand following the launch last month of its ADRs in the US and Canada. Total gross proceeds are now US$109.7m (£69.7m).

LEEDS GROUP has acquired the issued share capital of Winston Electronics for £1.22m satisfied by the issue of 387,439 new ordinary Leeds shares. Winston made pre-tax profits of £118,000 for the year to October 31 1986 and net assets at that date were £404,000. Its principal trading subsidiary is Sharps Fabrics Printers (Leeds).

ELYS (WIMBLEDON), department store, increased its pre-tax profits from £2,000 to £182,000 in the 26 weeks to August 1 1987. The directors said results showed that the effects of the redevelopment were working through to profits. They are confident that profit for the full year will be satisfactory. Turnover rose from £3.75m to £4.6m. The interim dividend is unchanged at 1p net. Stated earnings per 25p share improved from 0.09p to 8.8p.

Control Techniques has acquired Lightwood Engineering, to be satisfied by the allotment of 208,769 new ordinary Control shares, of which 167,015 are retained by the vendors with the remainder placed at 242p per share. Control will also pay Mr Brister and Mr Worland, two of the founders, up to £956,940 in shares payable in five annual instalments depending on Lightwood achieving certain targets. Mr Bentley, who will not be staying with the company, will receive £90,000 on or before July 31 1989.

Walker Greenbank

INDUSTRIAL miniconglomerate Walker Greenbank's vendor placing for Wallcoverings was in greater demand than *originally reported*. A mistake by registrars Close Brothers led to the amount of clawback by existing shareholders being announced as 11.5 per cent rather than 20.1 per cent.

UK COMPANY NEWS

Norcros buys Triton shower group in £27.5m share deal

BY CLAY HARRIS

Norcros, the building materials and specialist printing and packaging group, is to buy Triton, Britain's leading maker of electric showers, for £27.5m in shares.

Triton claims 30 per cent of sales of the more expensive electric showers with pre-set temperature controls and 19 per cent of the overall UK market. Own-brand showers for DIY retailers account for about 40 per cent of its production at *Nuneaton.*

The acquisition reflects Norcros's confidence that there is still plenty of growth left in the booming home improvement market, especially for strong brand names. It already makes Cristal; the leading glazed wall tile in the UK, as well as Crittall metal windows, Dow-Mac concrete building components and other ceramic and adhesive products.

In the year to March 31, Triton achieved pre-tax profits of £2.67m on sales of £14.1m. The purchase price values the company on an exit p/e of 16, although the figure falls to 13 if directors' exceptional remuneration last year is added *back. Triton had net tangible* assets of £2.7m at March 31.

Of the nearly 7.09m shares to be issued, about 6.04m were placed yesterday at 388p on behalf of the vendors. Norcros shares rose 1p to 403p.

More O'Ferrall up 35% and expansion planned in Taiwan

BY CLAY HARRIS

More O'Ferrall, the outdoor advertising group which *includes Adshel, increased* interim pre-tax profits by 35 per cent to £2.77m as it began to reap the benefits of investment in new poster sites.

The company, which competes with Arthur Maiden for second place in Britain, yesterday also outlined plans to open up Taiwan as an entirely new *market for Western-style* advertising poster sheets.

The advance from £2.05m in the first six months of 1986 was achieved despite an indifferent *performance in the UK and* Ireland in January and February. Turnover increased by 10 per cent to £14.8m.

Although continental European operations continue to account for less than one third of turnover and one quarter of operating *profits*, revenues and margins advanced strongly, especially in France where the group *has spent heavily to* establish a national poster network.

In Taiwan, where outdoor advertising at present is still hand-painted, More O'Ferrall has taken a 60 per cent stake in a joint venture which will build 20 foot by 10 foot hoardings and import posters printed in Australia.

The first 68 sites are being built in Taipei with the total quickly to be raised to 280 if the experiment appears to succeed. The group's initial *investment is limited to several hundred thousand pounds.*

With earnings per share rising to 6.9p (4.8p), the interim dividend is incerased by 38 per cent to 1.8p (1.3p) and payment has been brought forward to October from the usual *January date.*

● comment

Increasing concentration in the British poster market is unlikely to erode the high-margin home base from which More O'Ferrall ventures out to estab*lish overseas beach-heads. In* the UK, growth will have to be organic. More O'Ferrall was beaten by management in the *sell-off of British* Transport Posters, and it is unlikely to be the beneficiary if the Monopolies Commission requires MAI to sell a few more of the *sites. As with other British* contractors, added-value is the game. More O'Ferrall's latest version is Superlite, interior-illuminated hoardings (at suit*ably premium rates). In France,* liberalisation of television advertising has failed to wrinkle outdoor posters, and from here on, More O'Ferrall's growth should feed straight through to the bottom line. Missionary work in Taiwan and similar *underdeveloped markets* could be a handy earner, and not much is lost if it isn't. The pieces are in *place* for solid and steady growth — but geography is still the only diversification. With the shares 4p higher at 260p, the prospective p/e of 14 (assuming £6.75m pre-tax) still leaves perhaps another rung to climb. Only *suitors with an extremely* persuasive case would dare to pitch to the group's large institutional holders.

Bramall rides current motor vehicle boom

THE current year is proving to be extremely good for vehicle sales, and the prediction of a record year for vehicles sold in the UK looks likely to be proved correct, said the directors of C. D. Bramall, the Bradford-based motor dealer.

The company yesterday reported increased pre-tax figures —up from £546,000 to £780,000 —for the six months to June 30, 1987, and the interim dividend has been increased by 25 per cent to 1.6482p net.

August, which is traditionally the best month for motor sales, should establish a record for the company. Together with a full six months contribution from Gelco International, purchased *in April,* the chairman is confident that Bramall will have a successful year, *which will be* reflected in results for the 12 months.

The directors said the company is still looking for acquisitions which will strengthen its position in the motor retailing and contract hire and leasing fields. Two such possible acquisitions are under review, but the company said it had no *firm position to announce* at present.

Group turnover in the opening *half* advanced from *£25.47m* to £28.16m. Tax was down from £85,000 to £36,000. Stated earnings per 25p share were 4.3p (2.5p after an extraordinary debit of £52,000).

Abbeycrest up 32%—to seek full listing

Abbeycrest, designer, assembler and distributor of gold and silver jewellery, yesterday reported a 32 per cent increase from £273,000 to £361,000 in pre-tax profits for the first six months of 1987; the first set of interims since the company changed its accounting period *to a calendar year end.*

Mr Michael Lever, chairman, said order books currently stand at record levels and selections already placed by major *mail order and multiple retail* customers for the first half of 1988 indicate that the increased levels of activity the company is experiencing, will continue.

Turnover in the period increased by 49 per cent from £3.47m to £5.18m; tax took *£130,000 (£99,000)* and *minorities* were the same at £2,000, leaving stated earnings per share of 1.8p (1.3p adjusted).

The interim dividend goes up *from the equivalent of* 0.5p to 0.65p.

Linread profits rise by 70% to £1.06m

Linread, manufacturer of cold forged fasteners for the aircraft and automotive industries, increased pre-tax profits by 70 per cent from £623,000 to £1.06m in the six months to *June 27 1987.*

Group turnover rose by 37 per cent from £12.54m to £17.13m. The results reflect Linread's steady recovery since *recording a pre-tax loss of* £595,000 in 1983.

Mr Don G. Lynall, chairman, said yesterday that each of the businesses which formed Lin*read last year had improved* their profitability and the two recent acquisitions, Warne Wright Engineering and North Bridge, made useful contributions.

In addition, the disposal of redundant property realised a net profit of £135,000 which was included in the pre-tax figure.

Mr Lynall said that the largest growth in sales had come from Sileby Engineering which was acquired two years ago. Elsewhere, the commercial products division had seen higher sales and a return to profit as a result of increased demand from automotive markets.

The board viewed the second *half of 1987 favourably and in* the light of performance so far had declared an interim dividend of *1.25p* per 25p share compared with 1p for the same period last year.

After tax of £370,000 (£131,000) and dividend payments of £147,000 (£54,000), earnings per share were 6.04p (4.97p).

All figures and comparisons include the results of Tradshaw, the holding company of North Bridge, in accordance with the standard practice for merger accounting. Linread's pre-tax profits prior to this *adjustment were £351,000 for* the first six months of 1986.

Flextech falls into red but confident after purchase

Flextech fell into the red in the second half of the year to the end of May 1987 after taking into account its share of losses of its related company, Explora*tion and Production Services* (Holdings). The company also announced that it was taking a controlling interest in Expro.

There were operating profits of £330,000 (£538,000). After related company losses of £588,000, against profits last *time of £1.54m, the pre-tax loss* was £258,000 (£2.07m profit).

Stated loss per 10p share was 2.08p (6.23p earnings) and there were extraordinary charges of £4.44m (£2m), being its share of Expro's extraordinaries, provisions against investments and the costs *arising* from the partial offer in 1986.

The company has increased its holding of ordinary shares in Expro from 26.67 per cent to 80 per cent and acquired the outstanding 67 per cent of the preference shares by buying the holdings of London America Ventures Trust and Investors in Industry.

The total consideration is £1.66m, satisfied by £370,000 *cash* and the issue of two £645,000 loan notes.

Yesterday Flextech's shares, which are quoted on the USM, closed at 67p up 5p on the day.

Directors said the company had undergone a significant change in the year. The company now had a substantial trading subsidiary in Expro, which is involved in the provision of specialised wireline and well testing services and the *supply of production crews to* the oil industry. For the year to the end of March 1987 the company *incurred a pre-tax loss* of £2.21m on turnover of £17.93m.

During the last few months the company had undergone a programme of cost cutting.

Legal & Gen, buy

Legal and General Group has purchased 50,000 shares in Equity and Law, taking its stake in the life insurance company, for which the Brierley group launched a 365p-a-share offer on Friday, up marginally to a *little more than 2.5* per cent.

The purchase was "purely for investment reasons and does not reflect any particular attitude to the Brierley offer," said L and G yesterday. The price paid for the additional *E and L shares was 390p.* During the day 905,000 (almost 1 per cent of the total) Eand L *shares* changed hands, closing at 392p, up 5p.

Invergordon ahead at six months

Invergordon Distillers (Hold*ings*) raised its profits before tax from £2.12m to £2.59m for the first six months of 1987 and is lifting its interim dividend by 0.25p to 1.75p net.

The directors said that certain UK sales previously sold on a duty-paid basis were now being made under bond.

They added that demand for filling of Scotch grain whisky *had improved over the previous* year because industry stocks had moved more into balance with projected requirements for future sales.

There had been no improvement in demand for malt whisky fillings.

Sales of blended Scotch whiskies in the UK were slightly ahead of those for the same period of 1986. Export sales, with customers taking shipments earlier than forecast in advance of price *increases*, moved ahead strongly.

The directors expected the pattern of these sales to revert to more normal levels in the second half and anticipated that profits for the period would be broadly in line with the £3.09m returned for the second six months of 1986.

Group sales for the first six months rose from £15.81m to £19.85m before taking account of duty amounting to £2.86m *(£8.7m).*

Trading profits worked through £470,000 higher at £3.18m. Interest took £585,000 (£592,000) and tax £863,000 (£751,000).

Available profits emerged at £1.73m (£1.37m), equal to earnings per 25p *share of 7.56p* (5.97p).

Invergordon is ultimately owned by the Hawker Siddeley Group.

Enlarged Delaney improves by 54%

Delaney Group, Birmingham-based furniture manufacturer, increased its turnover from £5.39m to £7.25m for the first six months of 1987 and saw its profits for the period rise by 54 per cent to £867,000 at the pre-tax level.

Earlier this year the group completed the acquisitions of Lawn Shopfitters, which expanded its interests in contract furnishing and shopfitting, and P. Willoughby, a Hull-based bar and marine fitting company.

Furthermore, the aluminium division had been established as a separate company, Northgate Aluminium Systems, and would shortly be relocated in larger premises in Nottingham together with recently acquired County Joinery.

Mr Robert Delaney, group chairman, who was looking for continued growth for the remainder of the year, said yesterday that further acquisi- residential units on the site of the Stanley Wood factory at Olney, Bucks.

Production of the domestic furniture ranges would continue at the Park Sawmills factory in Northamptonshire and at C.B. Furniture in Birmingham.

Tax for the opening half year took £303,000 (£204,000) to leave net profits at £564,000 compared with £359,000.

Earnings per share emerged at 4.36p (2.76p) and the interim *dividend is being lifted from* 0.9p to 1.1p net at a cost of £142,000 (£77,000).

Comparative results have been restated under merger accounting principles.

tions were *currently under consideration to* increase Delaney's involvement in these markets.

The group *had recently* obtained planning permission for the development of 60

BOARD MEETINGS

TODAY

Interims: *ASD, Admiral Computing,* Bodycote International, Costain, Emess Lighting, *Expamet International, Mrs Fields,* Goal Petroleum, Hawley, Heatair, IMI, Ibstock Johnsen, *Lopex* Communications, Provident Financial, *Savoy Hotel, Sherwood Computer,* Technology Project Services, Tozer Kemsley, John D. Wood.

Finals: Electron House, Haynes Publishing, Interlink Express, International Financial and Investment Corporation, London Merchant Securities, Todd.

FUTURE DATES

Interims:

Bilston & Battersea Enamels	Sept 16
Breedon	Sept 18
Fisons	Sept 15
Forward Technology	Sept 9
Hyman	Sept 10
Laird	Sept 10
MBS	Sept 9
Montedison Spa	Sept 10
Perry	Sept 17
Polypipe	Sept 17
Renown Inc	Sept 17
Spring Ram	Sept 21
Woolworth Holdings	Sept 18

Finals:

Baazar (C. H.)	Oct 20
Harmony Gold	Sept 10
Merivale Moore	Sept 14
New Cavendish Estates	Sept 10
Scholes (George H.)	Sept 15
Ulster TV	Oct 2

FINANCIAL TIMES

SURVEY

Although the province has been China's leading producer since 1984 it has a poor export performance, managing only three per cent of output. It will be Governor Gu's main task to convince provincial industries to be more outward-looking, says **Robert Thomson**

Target is to raise exports

IN APRIL 1949, when Communist forces surged across the Yangtze river and into Nanjing to defeat the nationalist troops of Chiang Kai-Shek in what had been the Chinese capital, an officer by the name of Deng Xiaoping led the charge.

Jiangsu province has Nanjing, known in the past as Nanking, as its capital and Deng Xiaoping is now leading a charge of a different kind. The Chinese leader *is fond of telling foreign* dignitaries that Jiangsu's economic successes are a model for the implementation of the country's reform programme.

And yet Jiangsu's problems are typical of the troubles confronting the Chinese leadership at a time of crucial reassessment of the reforms. Inflation is too high, the energy supply is inadequate, capital construction is out of control, and the raw materials flow is under threat.

In coming weeks, Chinese leaders will make difficult decisions on whether or not to introduce more central planning in economic problem areas. If they do, it would be a serious loss of face for a reform programme that provided for a relaxation of central controls, and it would mean a busy few months for Jiangsu's governor, Gu Xiulian.

Governor Gu's main problem in recent years has been to convince provincial industries that have thrived by satisfying domestic demand to be more outward-looking and to contribute to the country's export drive. Jiangsu officials are smug in the knowledge that their province has been the country's leading industrial producer since 1984, but only a little more than 3 per cent of output was exported last year.

The Governor is keen to bring more products up to export standard so that they will be able to compete in the long-term in an increasingly sophisticated domestic market. She points to the decentralisation of foreign trade operations that make it easier for provincial corporations and foreign businessmen "to work together."

Most of the larger cities in *China's most densely populated* province have prepared briefs of the numerous factories interested in a venture with foreign companies. At the bottom of almost every brief is a note that the factory wants a compensation trade package, a sign that Jiangsu, too, suffers from a shortage of foreign exchange.

The area of the province that has most excited Deng Xiaoping is the Suzhou-Wuxi-Changzhou area in the south, where rural industry has boomed in the past *few years.* Mr Deng has sent sociologists to study the region, which one Nanjing academic says is regarded by Peking as an example of what is to come for the rest of rural China after several more years of reform.

Officials in Nanjing often use their hands to describe how *Jiangsu's development* is wedge-shaped. The south has developed the most quickly, partly because of its proximity to Shanghai, and the further north you go, the more backward the province is. Yet, even the most inaccessible cities are sprouting new hotels and office blocks, though that surface development masks abject poverty in some parts of the north.

It is a touch ironic that Jiangsu has been sluggish in export performance. The Treaty of Nanjing in 1842, signed aboard a British gunboat after the Chinese lost the opium war, officially opened Chinese ports to foreign traders.

As Jiangsu concentrates more on export production, it will again have to come to terms with the sometimes uncongen*ial policies of trading partners.* The last few months of this year are likely to provide a lesson for the province in how difficult it can be to penetrate foreign markets.

Textiles last year accounted for 55 per cent of Jiangsu's exports and textile exports rose by 50 per cent in the first half of the this year compared to the same period last year. But a bilateral textile agreement with the US, where China is now the largest supplier of textiles by volume, lapses this year and the tenor of recent negotiations suggests that fashioning a new agreement will not be easy.

Jiangsu people , or some of them, seem to be taking change in their stride. Professor Wu Dasheng, whose research on small towns in the province has *been avidly read by* Deng Xiaoping, tells of an entrepreneurial peasant who was tilling the soil a few years ago but is now travelling to Hong Kong and Singapore to do business. "There had not been change for many decades in Jiangsu. Now things are changing very quickly."

The professor went on to cite a list of 'in' things among the new rich of the Chinese peasantry - permanent waves, high-heeled shoes and photography. Yet, the new rich are still vastly outnumbered by the old poor, and the gap between the two groups itself raises serious political questions for leaders in Nanjing and Peking.

Jiangsu has a drive to improve itself that is particularly noticeable outside Nanjing, *which has an administration* that to outsiders, seems strangely conservative. But even the most conservative leaders are aware of the need to redirect the Jiangsu's vision from the purely provincial to the international.

The Yangtze and its tributaries are the main highway for traffic in the provinces

CONTENTS

Profile: Governor Gu

In the image of Mrs Thatcher

THE CHINESE are fond of saying that "women hold up half the sky," and yet the Communist Party is run by an all-male Politburo and all but one of the 29 provinces are governed by men.

Governor Gu Xiulian is the exception. A peasant's daughter, she presides over Jiangsu, a province that has been cited as an economic model for the rest of the country but still has its feet bound by some feudal ideas about the role of women.

The governor has broken free of what Mao Tse-tung called the "four thick ropes" - male domination, political oppression, religion and blind obedience to family - but admits that other women do not have it so good: "We should speak out on unfair practices like requiring higher examination scores for female students."

Though her province is regularly praised in the national press, it has this year suffered the same setbacks to urban reform as the rest of the country. Inflation has been around 10 per cent, up from 6 per cent a year ago, and raw material prices have been rising rapidly, prompting a collective outcry from factory managers.

"This stage of inflation is inevitable and the main way to to solve the problem is to promote production,"she says, in a very pro-reform assessment of the problem. But she also hints that she feels uncomfortable about the loss of control implicit in allowing the market to set prices, which is the thrust of urban reform.

The inflation issue will certainly be discussed at next month's Communist Party Congress, when economic reform will be reviewed and a blueprint for political reform considered. Another key issue will be what the party calls "spiritual civilisation," a quasi-religious term that seems to mean something like political health.

Governor Gu is in charge of ensuring that civilisation in this part of the world is sufficiently spiritual, which is a more important task than usual in a year that has seen the fall of a party boss, Hu Yaobang, and a sustained campaign against "bourgeois liberalism" or Western influence.

"The Chinese nation is a great nation and a great nation should have its own moral values," she says, going on to make the point that foreign concepts of morality cannot simply be transplanted.

Interestingly, China's only woman governor is a touch on the conservative side. While conservatives are to the left of centre here and liberal-thinkers to the right, there are shades of Mrs Thatcher in Gu Xiulian. She is aware that women have problems, but emphasises that they should rely on their initiative and have "self-respect, self-love and self-confidence".

Many of her comments were accompanied by a chuckle that reflected her embarrassment at having to tackle personal questions that are not answered in the internal circulars which provide party officials with guidelines on what to tell the masses.

Governor Gu was born in Jiangsu in 1937, and poverty *forced her to abandon second*ary school. It is a measure of her tenacity that she returned to technical college to further her education and that, in the 1960s, she progressed from teaching nickel miners' children to the State Planning Commission, where she became a vice-minister in 1973.

Her rise coincided with the fall of most of the present leaders during the Cultural Revolution (1966-76). She says that her position at the planning commission was "minor" and that nothing should be drawn from the curious contradiction. She mentions the strong support of "Sister" Deng Yingchao, the wife of the late Premier, Chou En-lai, who also managed to avoid

Continued on page four

Foreign Investment

Hunt intensifies for more joint ventures

"WE DEEPLY feel that time is money." The deputy director of the Huadong electron tube factory, Jin Qiang, was explaining how he has been trying to educate the Philips company about the market value of time.

Huadong and Philips are in the final phase of stitching up a joint venture contract to produce colour television picture tubes, but have been wrangling over the standard contract issues in China such as ensuring that the new company has adequate foreign exchange earnings.

Nanjing-based Huadong is part of the Jiangsu push for foreign investment. The province's government has realised the benefits of foreign capital and expertise, and has encouraged local corporations to hunt for partners.

Cities are now producing briefs about their factories in a style similar to that of a lonely hearts advertisement. The Xuzhou glass factory, in the north, is looking for a foreign partner with a view to joint venture. The factory is 33 years old and would like its products to travel abroad.

Jiangsu has been slow to respond to the call to attract foreign investment, and was one of the last provinces to open a trade and investment office in Hong Kong, as its attention has been devoted to satisfying a buoyant domestic market. Calculating exactly how much has been invested is made difficult by statistics that, among other things, classify foreign borrowing as foreign investment.

The province claims to have signed 92 joint venture agreements (though only 26 of those appear to be equity joint ventures) with foreign investment worth US$183m, up until the end of last year. A further 35 contracts were signed in the first half of this year, involving foreign investment of around US$20m. Just under two-thirds of the investment comes from Hong Kong, with about 18 per cent from the US and 12 per cent from Japan.

The deputy director of the Jiangsu commission of foreign economic relations and trade, Ye Jian, said foreign investment was likely to increase this year, which runs against the national tide. The value of contracted foreign investment in China fell by just over 20 per cent in the first half, after a 50 per cent fall last year compared with 1985.

Mr Ye admits that Jiangsu has been less successful than numerous other provinces, but claims that his organisation has been more selective about the type of project approved. It has not allowed a large number of the short-term service projects that make investment figures elsewhere look attractive, yet do not involve technology transfer.

Feeling satisfied about present trends, Mr Ye quipped: "He who laughs last, laughs best." He claims Jiangsu has become a far better place to invest since the central government introduced 22 regulations last October, designed to increase foreign investment, and the Jiangsu government promulgated 12 additional regulations of its own.

The national incentives include ceilings on staff costs and land use charges, and more flexibility in handling foreign exchange; while the provincial regulations include extended tax holidays for ventures introducing advanced technology. The two sets of incentives tend to overlap, and certainly do not solve all of the problems relating to repatriation of profits and the tight monitoring of foreign exchange levels.

Most of the Chinese companies looking for a long-term relationship with a foreign company want a compensation trade package, because they have little or no foreign exchange. And there is often a basic conflict of interest between Chinese corporations aiming to produce exportable goods and foreign companies intent on cracking the China market.

Officials of the Jiangsu International Trust and Investment Corporation concede that the January resignation of the Communist party general-secretary, Hu Yaobang, a strong supporter of economic reform, affected the confidence of foreign investors, but they are confident that foreigners now have renewed faith in China's political stability.

Certainly Mr Hu's fall has not affected negotiations between Philips and the Huadong electron tube factory, as the two parties have been talking intermittently for two years. Jin Qiang, Huadong's deputy director, attributes part of the difficulty in reaching agreement to "cultural differences" - "the different style of working and logic."

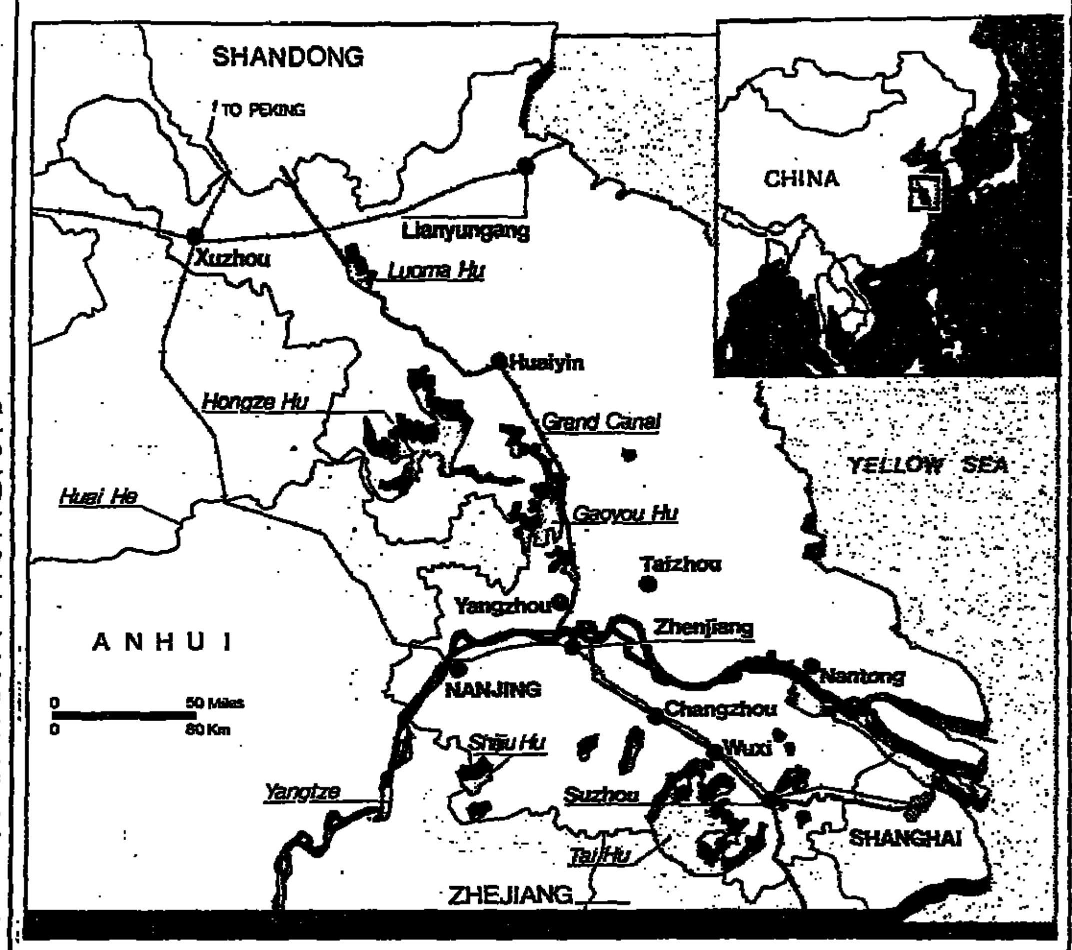
Mr Jin said his company "wants to get very detailed documents", while Philips is more relaxed about the details. The two companies have also found it difficult to settle how foreign exchange will be raised through exports. The total value of the project is about $180m, with Philips likely to take a 30 per cent share, Huadong 45 per cent, and a Chinese-owned Hong Kong company, Novel Property, 25 per cent.

Japanese makers, such as National, apparently offered cheaper deals and more training abroad, but Jin Qiang thinks that the sharp profit sense of Japanese companies may mean "the final result is not a better deal". The Chinese are particularly keen to localise production and feel the Philips package offers more opportunities for that development.

A joint venture involving the Japanese company Suntory in the northern coastal city of Lianyungang is likely to use a Chinese connection in the US to solve its serious foreign exchange problems. Suntory has a 50 per cent stake in the $13m food and brewing project, the Lianyungang Light Industry Bureau has 30 per cent, the China International Trust and Investment Coporation 10 per cent and the Jiangsu International Trust and Investment Corporation 10 per cent.

The idea was to produce 30m litres of beer annually and earn foreign exchange through sales of malt to Japan. That plan was derailed by a plunge in the world price of malt, so the company has been negotiating US sales of its beer, Flower Fruit Mountain brand, through an associate company of Citic, which has a rapidly expanding network of corporate connections around the world.

Robert Thomson



David Dodwell examines the Iveco venture

The toast of Nanjing

NOT TO be outdone in China by other international motor companies, Italy's Fiat has reached agreement on a collaborative venture in Nanjing which is at present the toast of the city.

Whether the project remains so in six years' time is very much open to question, since there is no clear evidence in the agreement of how the Chinese partner's US$200m of foreign exchange borrowings are to be financed. But for the present both sides appear to be celebrating the deal.

"We have achieved what we need, and Fiat gets some sales," says Nanjing Motor Corporation's general manager, Zhu Guozhang. "Part of the bargain is that we have to buy Italian trucks, but we get training and technology exchange that will, it is hoped, allow us to localise production completely by 1993."

Unlike other foreign motor industry projects in China, the deal sealed by Iveco, Fiat's truck-making subsidiary, involves no equity investment on the Italian partner's part.

Iveco has agreed to provide 2000 man-months of training in Italy for Chinese technicians, who will then with Iveco help set up a production line turning out 60,000 "Gamma S" series trucks a year ranging from 1.3 tonnes to 2.9 tonnes at a new Nanjing Motor Corporation (NMC) plant just 20 minutes drive across Nanjing from NMC's existing factory.

Iveco engineers will come to Nanjing to train not just at NMC, but at the dozens of factories in the area that produce parts for what is China's largest producer of medium-sized trucks and light buses. Current production at NMC amounts to about 30,000 vehicles a year, all hybrids of Soviet-designed "Gaz" trucks dating from the 1950s.

The Italian Government has provided a US$7m grant for training Chinese workers, and a US$100m soft loan (carrying interest of 1.5 per cent, and repayable over 20 years) for purchase of equipment and parts for the new production line.

A further $100m loan has been arranged, carrying 7.5 per cent interest and repayable over 7 years after production begins, which is to be used by 1990 for the purchase of Iveco knock-down kits, or completed Iveco trucks.

Since these trucks currently cost between two and three times the price of an equivalent Japanese truck inside China, it is difficult to imagine any other way in which Iveco could have won a $100m order to supply trucks to the Chinese market.

Other aspects of the deal seem to be skewed strongly in Iveco's favour. NMC staff say it has no obligation either to buy back Chinese-made parts or completed vehicles, nor to help NMC to sell these in foreign markets - both practices common in other ventures to enable the Chinese partner to earn the foreign exchange it needs to cover foreign exchange costs. Iveco has also won agreement from NMC not to seek sales in any existing Iveco market.

This appears to be a price NMC has been willing to pay in order to achieve what is perhaps an unprecedented level of technical training and localisation.

Management reforms

Party members retain big role

GU YIXIN is as gung ho as Chinese factory directors come. A promotional video for his Qingjiang petroleum plant tells viewers of the "magical", "splendid" and "beautiful" factory whose history is a "great symphony and an emotive epic."

"Director Gu has taught us well," claims the video, as workers put their industriousness on show for the camera in central Jiangsu. Yet, Director Gu is not a lone gun. He, like most factory directors, is a party member, and, if he was not card-carrying, would probably still be a humble engineer.

China's factory director responsibility system is not all that it seems. The reform is supposed to give the secular factory director, presumed to be expert in his field, more control at the expense of the party secretary, whose duties should be confined to spiritual matters such as ensuring that workers attend weekly theoretical study classes.

In reality, many directors of medium and large factories are also the party secretary or deputy party secretary, and openly favour party members in assigning bonuses and promotions.

Wang Daqing is director and a senior party official at the Xuzhou construction machinery works, in northern Jiangsu, which turns out 40 per cent of China's road rollers. "We want the party members to play a pioneering role to ensure the healthy development of the factory," says Mr Wang, who wears a watch bearing a Playboy Bunny motif. "Social problems do enter the enterprise and we must carry out education to help the workers develop a correct attitude."

He argues that if the party did not take a high ideological profile, "we could not guarantee stability in the factory," which has 3,288 employees. His thoughts coincide with those of Wang Qinghan, the vice-director of Jiangsu's economic-restructuring committee, a post that should make him one of the province's keenest reformers - the governor is the director of the committee.

Wang Qinghan estimates that about 40 per cent of Jiangsu's 665 large and medium-sized factories have introduced the director responsibility system, and another 30 per cent are preparing for its implementation.

"Some party secretaries, if they are capable, can be managers," Mr Wang says. "The problem is that the managers are not very capable because in the past we paid attention to political factors and not to management factors." Yet the political factors obviously count.

Mr Wang's office has been presented with a dilemma by the rapid development of private commercial enterprises, which are out of the party's direct control and are seen by conservative Communists as a threat to "socialist ownership." In 1980, there were virtually no private businesses, but now in Jiangsu 16 per cent of commercial enterpises are privately owned, 51 per cent are collectively-run and 33 per cent are state-owned.

Asked to name a figure at which private ownership would become a threat to socialist ownership, Wang Qinghan admits that no ceiling has been set. Inflation is an awkward problem confronting his committee this year. The official rate for Jiangsu is around 10 per cent, though that is likely to be an underestimate. As in other provinces, the Government has intervened in the market in recent weeks by increasing subsidies and fixing ceilings on food prices, in a setback for the reform programme designed to make prices reflect the cost of production.

Diplomats also expect the Government to intervene in the raw materials market, which factories must tap now that much of their production is outside state quotas. The Xuzhou construction machinery works has 28 per cent of its production controlled under the state plan and so receives subsidised raw materials for that output. The remaining 72 per cent is sold on the market, and raw materials must be purchased at market prices, which are now between 100 and 120 per cent higher than the state price.

Wang Daqing, the factory's director, has been complaining to local officials about the problem, but has not heard of any planned adjustments to the pricing system. The party refers to the floating raw materials market as the "means of production market", and it is clear that the issue is ideologically sensitive.

Robert Thomson

Exports

Boost for foreign deals

AS JIANGSU's leaders have awoken to the need to pay closer attention to promotion of foreign trade, so it has been domestic economic pressures that have acted as the most powerful catalyst for change.

In 1985, foreign trade accounted for just 3.5 per cent of the province's total output value - compared with 5.6 per cent for China as a whole, and 13 per cent for a province like Guangdong that has close links with Hong Kong.

Since then, some headway has been made. Exports last year amounted to US$1.7bn, 10.4 per cent up on exports for 1985. This put Jiangsu fifth in the provincial league table of exporters, accounting for 6 per cent of the country's exports. But most of the headway has come in textiles and silk, which has a long-standing tradition of exporting, with light industry electronics and other manufacturing making only marginal headway.

According to Ye Jian, deputy director of the province's Commission for Foreign Economic Relations and Trade, exports in the first half of this year amounted to about $1bn, showing a 30 per cent improvement on the comparable period a year ago. In the same period, 35 joint ventures have been approved, compared with 21 in the whole of last year, and a total of 92 in the five years to the end of 1986.

Paradoxically, it appears to have been Jiangsu's great success in the domestic economy that made it a laggard in foreign trade. First of all, the great majority of its factories produced for companies in Shanghai - a dependent relationship that even today is hard to break.

Second, the reputation of its products inside China was such that many manufacturers did not feel the need to seek export opportunities.

Tang Ren, deputy mayor of Suzhou with responsibility for foreign trade and investment, pointed to three failings:

- Officials paid attention to the needs of the home market, which were not at all those of the international market;
- They found the quality requirements in the international market too demanding, especially when there was insatiable demand for existing output at home; and
- The procedures for export were too complex for many manufacturers.

Only a couple of years ago did manufacturers begin to discover the flaw in their logic. Manufacturers in provinces like Guangdong, which had come to terms with the quality and pricing requirements of the international markets, had begun to supply products to the local market. Suddenly, factories in Jiangsu found themselves losing orders at home, because competitors in other provinces were supplying better goods at a competitive price.

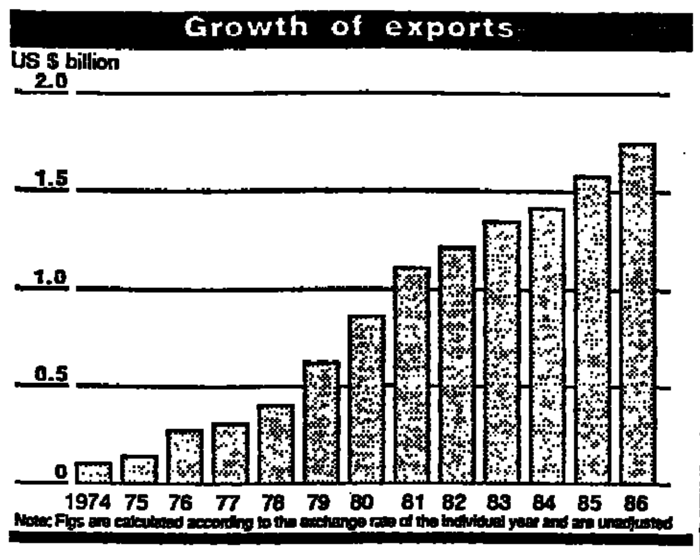
Gu Xiulian, Jiangsu's incisive lady governor, was quickly alert to the problem: "We have to test our products in the international market in order to protect our position in the domestic market. If we can export, there will be no problem competing in the domestic market."

As a result, Jiangsu has introduced a wide range of reforms to encourage foreign investment or foreign co-operative ventures, to introduce improved technologies, and to simplify the bureaucratic structure overseeing foreign trade in order to boost exports. In addition to the widely publicised 22 provisions encouraging foreign investment, set out by the central government in October last year, Jiangsu has added its own list of 12 incentives.

The first step, in 1984, was to establish Lianyungang and Nantong as open coastal cities, with a range of concessions available to entice foreign investment. Since then, cities in the whole Yangtze delta region behind Shanghai have been given greater flexibility to build links with overseas investors.

As a latest step, economic development zones have been set up in Nantong and Lianyungang, and a number of cities have been grouped to co-ordinate export effort. Most prominent of these is what local people call "Suwuchang" - the area along the railway between Shanghai and Nanjing that embraces the three cities of Suzhou, Wuxi and Changzhou.

Growth of exports



Note: Figs are calculated according to the exchange rate of the individual year and are unadjusted

The area consists of about 12m people - about one fifth of Jiangsu's total - but accounts for about 43 per cent of industrial output. Both Suzhou and Wuxi rank among China's top 10 industrial cities, and all three cities had an output value in 1986 of more than yuan 20bn.

A number of officials from import-export corporations have been attached to major exporters, effectively setting up a marketing division inside individual factories.

Zhangjiagang port, on the banks of the Yangtze north of the Suwuchang area, is being developed to act as the export gateway for the zone, though officials in Suzhou said that 60 per cent of their exports still leave China through Shanghai.

In Suzhou, Tang Ren cautioned that economic policies in the Suwuchang area are not co-ordinated, nor do the municipal governments collaborate in any direct way. "We have equal privileges as municipal governments, but still act as single units," he said.

David Dodwell

Textiles

Confidence up in the sector

"AMERICA'S protectionist policy is bound to fail," says Zhang Youcai, Mayor of Nantong, one of China's leading textile cities. "Whatever they do, the most important thing will always be price and quality. And anyway, we have a joint venture in Barbados supplying the US market, and are negotiating one in Swansea for the UK."

While this is hardly what one would expect of a hardy Chinese bureaucrat, Zhang reflects an emerging sense of confidence in Jiangsu's textile sector - the most important in the province, and by far the biggest foreign exchange earner.

Shen Guixing, director of Nantong's Commission for Foreign Economic Relations and Trade, gave more insight into the basis for this confidence when he talked of the Swansea venture, expected to be in collaboration with Manchester-based Tootal.

"When our technical engineers first went to Manchester, the Tootal people seemed unwilling or unable to understand that we were familiar with their technology. They considered themselves the experts, without realising the scale of the industry here.

"Since then, their engineers have visited Nantong and discovered that we have all of the most advanced technology - albeit in different factories. At last they realise that we have something to offer."

Nantong, on the northern bank of the Yangtze less than 100km from Shanghai, boasts 77 large textile mills - some founded more than 90 years ago - and more than 500 smaller enterprises, producing yarn and cloth ranging from pure cotton, linen, silk and wool, to an array of synthetics including polyester and rayon. These together account for one third of the city output, and one third of its exports.

In a province that has until recently been generally lazy about building foreign trade, the textiles sector - including silk and garment manufacture - has been a prominent exception. First joint ventures were agreed, mainly with Hong Kong partners, almost a decade ago, and overseas sales have grown steadily, accounting for 55 per cent of Jiangsu's exports last year. Foreign machinery worth $270m has been installed, either through joint ventures, compensation trade deals, or direct purchase.

Last year, the textiles sector accounted for 11 per cent of the province's total industrial output. Jiangsu accounted for 14 per cent of China's total output of textiles and garments, and 13 per cent of the country's exports. It was the country's most important textile producer, and its second most important silk manufacturer.

In 1986, Jiangsu's textile and garment exports were worth $675m, while silk exports amounted to $266m. A quarter of its total production of 400,000 tonnes of raw cotton was exported last year.

While domestic demand for textiles and garments has been growing hectically in the past three years, with domestic prices rising often to pass export prices, export sales have remained buoyant - partly because non-price incentives to export remain strong, and partly because domestic consumers have been pressing for synthetic and mixed fibre goods, while strongest export demand continues to be for pure cotton yarn, cloth, and garments.

In Wuxi, companies like the misnamed Guangming Underwear Factory make shirts for Van Heusen, Arrow, and the Oxxford Company of the US. Its sister factory, Wuxi Zhenqui Woollen Garments, makes high quality woollen and tweed suits almost entirely for the US, Canada and northern Europe.

In Suzhou, the Zhenya Silk Weaving Factory has recently installed French and German equipment using an $8m world bank loan to make 8,000 tonnes of export quality polyester yarn every year.

Despite the brave words of Mayor Zhang in Nantong, and the undoubted strength of Jiangsu's textiles industry, there is no doubt that US protectionist threats are a worry. Sino-US bilateral textile trade negotiations have been in progress for some months, with officials talking of disagreements and slow progress. The current bilateral agreement expires at the end of 1987, so ought to be renewed in the next four months.

Less immediately threatened is Jiangsu's silk industry, which is critically important to Suzhou, accounting for 60 factories, 150,000 workers, and 57 per cent of the city's exports. About one third of total production is exported, accounting for 80 per cent of the province's silk exports.

David Dodwell

Agriculture

Farmers grasp their opportunities

IN LOYANG County, just south of Changzhou, Tan Yiping has grown rich in the past 10 years. Reform of China's agrarian economy has put far behind him the subsistence farming that had been so cherished by Mao Zedong. With his wife culturing fresh-water pearls and raising silk cocoons, and sons tending fish farms, angora rabbits, a vineyard and a fruit orchard, family earnings amounted to rmb yuan 14,000 last year.

It is such enterprise that has begun to unleash the full economic potential of one of China's most fertile and densely-populated provinces. This is not to suggest that poverty has been eradicated: many villagers still depend on a central standpipe for water, live in dark and insanitary single-room brick shacks, and have electricity for just 16 hours a day to power a single light bulb.

The average per capita income of Jiangsu's peasants, about yuan 566 last year, may be better than many other provinces, but still provides for little more than the most basic human necessities.

Tan may be a model and an exception, but he provides evidence that for people who are willing to grasp opportunities - often aided perhaps by political influence, family savings, and a generous helping of able-bodied sons - farming need no longer be synonymous with poverty.

For centuries Jiangsu has been one of China's leading agricultural producers. Fertile soil, plentiful rainfall, and mild winters meant it could produce better crops than almost anywhere else in China.

The constant threat of flooding, either from the Yangtze, or in the north from the Huai River, has slowly been brought under control, first with the grand canal and a network of channels around it, and more recently a labyrinth of irrigation and drainage channels, tidal protection projects, and efforts to improve saline soil quality.

The completion of projects that concentrated first of all in the south of the province, in the low-lying lakeland areas around Taihu Lake, has freed water conservancy staff to turn attention to the north of the Yangtze.

Even the arid north west of the province is now beginning to benefit from an ambitious irrigation project based on water being pumped north from the Yangtze along the grand canal, against the prevailing current. Officials say more than 96 per cent of the province's farmland is now effectively irrigated.

Shortages of high quality fertiliser, and of effective pesticides, still hamper the growth of farm crops, but Jiangsu farmers now appear to be guaranteed sufficient power in the critical seasons of the farming calendar, and a burgeoning of demonstration and research farms and agriculture institutes has greatly improved farming techniques.

Political dictates from Peking mean that grain production still wins the highest priority in the farm sector. Jiangsu, with wheat grown in the north, and mainly rice in the lowland areas south of the Yangtze, produced 33.4m tonnes of grain last year, up 6.8 per cent from 1985, and about 8 per cent of the country's total output.

This made the province more than self-sufficient, enabling it to be a net supplier to less fertile provinces.

Other key staple crops are cotton - this year's crop is expected to recover to the 1985 level of 450,000 tonnes after a cut-back last year supposedly linked with a surplus of supply nationwide - and edible oilseeds, which last year produced 1.17m tonnes of oil.

Jiangsu remains a critically important pig-rearing province, with 21.6m pigs slaughtered last year.

But statistics provided by the provincial government are starting to show the change in balance of Jiangsu's farming sector. Agricultural output value in 1986 amounted to yuan 24.8bn, barely 17 per cent of the total industrial and agricultural output of the province.

Of this agricultural output, just 66 per cent was attributable to farming, while 20 per cent came from animal raising, 4 per cent from fresh-water fishing, and 8.7 per cent from "sideline" occupations like those that have made Mr Tan rich.

More significant, as farming has become more mechanised (almost 80 per cent of the land is now ploughed mechanically, officials say) so rural industry has burgeoned to absorb surplus labour from the fields. Mr Sun Jiannan, Director of Jiangsu's Rural Industry Administration, says there are now 104,000 factories in Jiangsu's countryside. He says almost 37 per cent of the rural labour force is now doing non-farm work, with 940,000 leaving the fields in 1986 alone.

As well as rural industry, these workers are setting up collectives and household enterprises to provide a myriad services in the countryside - like trucking goods to urban factories, or repairing farm machinery. The result is that rural industry earned yuan 46.4bn last year - about 31 per cent of Jiangsu's total industrial output.

The growth of small-scale industry in the countryside has been so strong that it has absorbed all of the free labour available, with the result that many thousands of workers from neighbouring provinces like Anhui and Hubei are being recruited to work in these factories.

Virtually all of these factories are locally-owned collective enterprises. While this means they have no direct access to the raw materials or manufacturing outlets of the state industrial sector, their flexibility has enabled them to find profitable niches tackling the shortages that remain endemic in China's economy.

For a province that is 17 per cent water, and which has a 1,000km coastline, it is perhaps surprising that freshwater fisheries are not more important.

Despite this conundrum, Jiangsu remains a model for much of China not only on how rural reform can unleash the potential of the farm sector, but also on the development of links between China's urban and rural economies.

David Dodwell

Water

Main conduits for trade

"ONE YANGTZE is *equal to 14 railways*," says Li Haotao, head of the Nantong port authority at *the mouth of the Yangtze river*, which is one of the five ports in Jiangsu earmarked for rapid expansion in the years ahead.

Mr Li might downplay the value of railways because Nantong port *is still* not linked to one, but he is equally lyrical about plans to complete a railway link by 1990: "We are already a tiger," he says, "once we have the railway, we will be a tiger with wings."

For Jiangsu, the Yangtze is not the only critically important waterway, *though its role as an* artery deep into China's interior can never be exaggerated. *About 17 per cent of the province* is water, with some of China's largest inland lakes, and a *veritable labyrinth of rivers*, canals and irrigation or drainage channels that have over time *become* indispensable channels of communication in the province.

The famous grand canal, which links Peking in the north with Hangzhou to Jiangsu's south, charts a north-south course through the centre of the province that has also become one of its main conduits for trade.

Mr Yan Wei, deputy director of Jiangsu's department of communications, says the province has 23,000 km of navigable waterways, even excluding the Yangtze, and that these carry about 60 per cent of the cargo transported around the province. Many of the waterways can take nothing larger than 100 tonne barges, but, as a rmb yuan 600m programme to upgrade the grand canal gets under way, some stretches now see vessels of 500 and 1,000 tonnes plying their way inland.

Since the opium war, Jiangsu's capital, Nanjing, has been a *major inland port. Today, its* five anchorages stretching over 98 km. handle over 40m tonnes of cargo a year - *including* coal and oil from northern China - making it the largest inland port in the country. The Nanjing road and rail bridge, the only dry crossing of the Yangtze between Wuhan and the coast, makes Nanjing the last stop upriver for all large ships. Nothing of more than 5,000 tonnes can pass under the bridge.

By 1990, after investment amounting to yuan 400m, Nanjing will have 13 deep water berths, among them two container wharves *built in collaboration* with a partner from San Francisco that are intended to *handle 220,000 containers* a year.

Of the five major ports in the *province - Lianyungang in* the north, Nantong close to the mouth of the Yangtze, and Nanj*ing, Zhangjiagang and Zhan*jiang along the river - just three aim to develop container wharves - Nanjing, Nantong and Zhangjiagang. *Though* there are supposed to be a total of 346 ports of various sizes in the province, it is *these five that* have been opened to foreign trade, and which will be expected to cope with the growing volume of exports leaving the province for the international market.

The face of Nantong port is changing rapidly as it expands to absorb overspill traffic from the heavily congested Shanghai port just 96km away. A total of yuan 300m is being spent to develop the port, which was opened to foreign trade less than three years ago. It will this year handle 11m tonnes of cargo, and is expected by 1990 to handle 25m tonnes - much of it through a radically extended facility east of the city at Langshangang.

This will handle most foreign trade, and all of the city's container traffic. The port authority agreed two years ago with a Dutch company on a US$80m port development venture, but *hitches appear to have resulted* in long delays. "Technically speaking, the venture is OK," says *Li Haotao*: "*but economi*cally speaking it is not OK."

Problems appear to hinge - perhaps *inevitably - on the* Dutch partner's ability to earn foreign exchange that will en*able it to recoup its investment.* Li says the port authority will raise the funds to go ahead in*dependently if agreement is not* reached soon, though whether this is part of his negotiating strategy is unclear.

The development of Lianyungang has progressed independently from the rest of the province's main ports, since it serves not just the north of Jiangsu, but also the surrounding provinces of Shandong, Anhui, Henan, Shanxi and Hebei.

As river transport has grown over the past decade, so the pressure on state shipping companies has increased to the point where non-state shipping companies are beginning to emerge to 'supplement' their services.

Perhaps the most famous is Mingsheng, based in Chongqing 2,000km upriver in Sichuan province. But in Jiangsu, a company called Da Ta has recently been set up, modelled on Mingsheng. From its home port of Nantong, it now has three teams of tugs and barges that ply between Shanghai and Nanjing, mainly carrying coal and building materials for customers who cannot get their cargos on to state shippers - either because they need supplies too urgently, or because they are collective enterprises that fall behind state corporations in the pecking order for space in shipholds.

Off the Yangtze, thousands of families run what amount to private barge-transport businesses. In Suzhou, at the heart *of the grand canal network*, more than 32,000 vessels are operating according to Huang Min*gjie, the city's deputy mayor* responsible for communications. The great majority of *these are run by private house*holds.

For Suzhou, with up to 1,000 *vessels passing through the city* every hour at peak times, congestion around the numerous *narrow bridges has become* acute. Still worse, water and noise pollution have become contentious public issues. Pollution is acute both from the barges and tugs that ply the canal, and from the hundreds of factories along its banks that discharge thousands of tonnes of waste into its waters daily.

Relief is expected soon, with the completion of a yuan 50m project to build a new water channel that by-passes the heart of the city. This will doubtless make life more peaceful once again in the heart of this historic city, but it is unlikely to bring much relief as far as water pollution is concerned.

The national government has recently introduced stricter laws controlling industrial pollution, but there is scant evidence of their having any effect along the banks of the grand canal and its tributaries. For centuries, people have regarded the Yangtze too fast flowing, and the Taihu lake too much an inland sea, to be threatened by pollution. But recent sobering experience in North America around the Great Lakes might give officials some cause for thought.

Robert Thomson

Energy

Struggle for power

FEI GUOZHONG, one of Shanghai's "educated youth" who were sent into the Chinese countryside during the cultural revolution, has in 15 years become a model rural entrepreneur. Five *rudimentary plastic moulding* machines clatter in a downstairs room, making him richer *by the day*.

The rest of Yangwu village just outside Changzhou is silent. *As usual in the non-har*vest months, the electricity supply has been cut. It is a small second hand diesel generator that keeps Fei's rmb yuan 550,000-a-year business going - *but at the same time it is the* diesel generator that keeps Fei from expanding any further.

That electricity, which allows him to employ 15 people and played a critical part in enabling him to earn yuan 90,000 last year, cost twice as much as power from the mains, and af*fects the economics of his very* basic business so fundamentally that Fei says there will be no further expansion until power on the grid network can meet working needs.

A couple of miles away, Zang Yuexing's plastic moulding equipment is silent. He is also regarded as a model entrepreneur, but refuses to invest in a diesel generator. As a result, profits in 1986 were a more modest yuan 25,000 a year (still 40 times the average annual rural wage). He employs no outside workers, and plans to move into the road haulage business as soon as he can afford a lorry: "Carrying goods by road can be very profitable - and I won't have any more worries with electricity," Zang says.

Jiangsu's provincial government acknowledges power *shortages as a critical obstacle* to economic growth. With just 4,200 Mw of installed capacity at *the end of 1986, it had a short*fall of about 20 per cent province-wide. Outside harvest time, most *rural homes* go without power for eight hours a day. In the fastest growing urban areas *like Nanjing, Nantong, Suzhou*, Wuxi and Changzhou, the shortfall passes 30 per cent.

In 1986, yuan 900m was spent on energy projects. New power stations in Xuzhou and Lianbi *will add 580 Mw, while a further* 400 Mw should come onstream in smaller plants across the province.

The province's five year plan is to install plants with a capacity of 3,400 Mw between 1985 and 1990. While this ambitious target seems likely to be achieved, demand for power is expected to grow at such a pace that only *the most optimistic dare suggest* that this will alleviate shortages.

In Suzhou, Wu Baixing is the director in the economic commission responsible for energy problems: "Diesel generators have been the main method of making up the power shortage in the past two years," he says.

But he recognises they provide only a short-term solution, and has an armoury of plans to provide a permanent answer. This year, the city of 5.4m people and almost 16,000 industrial enterprises is expected to con*sume* about 4.1bn kwh of electricity. The state grid system supplies just 2.5bn kwh, and about 1.1bn kwh is to be bought from power plants outside the area. The rest - about 500m kwh must be met by *ad hoc local* measures including conservation.

Small local generators are being installed. Efforts are being made to improve recovery of *lost heat from* boilers and blast furnaces, many of which are now being shared to increase *efficiency of use*. Factories are being encouraged to work at night, and at other off- peak times.

Priority is given to export industries, and to factories producing items in critically short supply. At harvest time, farm users take priority.

A stick and carrot system has also been introduced, with each enterprise having an energy quota. Charges rise by 50 per cent once the quota *is* passed, but in reverse, enterprises that save power get rebates linked to the electricity they save.

The effect of these policies has been significant. The city's 374 major industrial enterprises saved the equivalent of about 400,000 tonnes of standard coal in 1986. Power consumption per yuan 10,000 of output amounted to 1.88 tonnes of standard coal in 1986, compared with 3.0 tonnes in 1980, he says. The city's industrial and agricultural output rose by almost 20 per cent last year, while power consumption rose by just 6.8 per cent.

Power shortages may be severe, but Mr Baixing is emphatic that they should not be exaggerated: "With economic growth as hectic as we have experienced it over the past few years, it would not be accurate to say that power shortages have put a powerful brake on growth."

Fei Guozhang in Yangwu may not be planning further expansion for the time being, but he would be hard pressed to say that past power shortages have prevented him from becoming - in Chinese terms - a very rich man.

David Dodwell

Shades of Mrs Thatcher

continued from p1

being purged through skilful manoeuvring.

The governor explains that male cadres take her and her decrees seriously: "It is not a male-female problem. The only question is whether the decision is correct. If it is correct then everybody has to obey it. Don't you think this is right?"

And yet being a governor and having an academic as a husband *have not liberated her* from home duties. "Since I am a woman, I have a lot of things to do. For example, *I have two* children and have to do the house chores. In a certain sense I have to make sacrifices. I am a cadre at work, a mother at home, and a daughter in front of my parents."

She expects the most important aspect of next month's Party Congress *in Peking* will be to evaluate proposals for political reform that will, in theory, separate party and state and give governors such as herself more power. But party and state are so tangled that separating the arms of government will *not* be a simple matter.

Governor Gu is herself a senior party official and, as she explains, oversees the development of "spiritual civilisation", which is very much a party matter. Her main task next *month* will be "to report the actual conditions of our province" for the benefit of the party leaders who will decide in which direction the country should be pushed.

Her briefing will no doubt point to Jiangsu's agricultural growth rate of 15 per cent in the first half of this year, the highest in the country. In her mind, "the superiority of socialism is reflected in high productivity and our aim of a better life for our people."

Coincidentally, the city of Huaiyin, in central Jiangsu, has a woman mayor, Xu Yan, 43. Although she, like Gu Xiulian, was appointed by local party and government congresses, she says that the "masses" have given her a mandate and so "I must improve the welfare of the people".

Mayor Xu, whose city is one of the poorest in the province, worked as a chemical engineer before turning to politics. She was chosen for a five-year term as mayor in 1984. "I don't feel any prejudice in my work. I just feel the same as any male mayor would."

Robert Thomson

Business guide

Nanjing boasts 40 scenic spots

CHINESE SAY *that Nanjing is* one of the country's "three ovens", meaning that the masses roast during the summer, though locals emphasise that it is a 'small oven' compared to the furnaces of Wuhan and Chongqing, further up the Yangtze river.

Oven or not, tree-lined streets and a measure of order not found in many Chinese cities *make Nanjing at least pleasant*, while a modernised infrastructure has made it an accessible *and, often, a convenient place* in which to conduct business.

There are now direct flights *from Hong Kong and the Jinling* hotel (US$75 a day)in the heart of the city has a 24-hour busi*ness centre* and, *a rarity in Chi*na, a 24-hour coffee shop. As a city that has been overrun several times and, *occasionally*, been the country's capital, Nanjing's 'scenic spots', as Chi*nese guides call them, tend to* the historical. Death is a common theme. There is a Ming em*peror's tomb and the mausole*um of Sun Yatsen, which is a short march up 392 granite *steps*.

In all Nanjing has '40 famous scenic spots', including several lakes, a hot springs and a few parks. For those more interested in monuments to the communist revolution, the Yangtze river bridge, completed in 1968, is a grand achievement and is worth seeing, *if only* for the large statue of Mao Zedong in the belly of one of its pylons.

*A ferry links Nanjing to Nan*tong, an open port city, and it could be difficult finding any *better than a third class bunk*, so dress appropriately. Another ferry links Nantong to Shanghai - an eight hour journey - and the food is said to be abominable. Of course, the quickest way to get from *Nanjing to Shanghai* is by train, which should take around four hours.

*In Nantong, the Wenfeng ho*tel is basic and isolated, while in Changzhou, on the other side *of the river, the Changzhou* guest house is comfortable. In Wuxi, most foreigners stay at *the Taihu Lake hotel, but it is more for the tourist, and the* business person will find it out of the way.

Closer *to Shanghai on the* main railway line is Suzhou, famed for its many canals and *gardens, and, according to Chi*nese lore, its beautiful women. The Suzhou hotel is excellent, with *modern communications* and helpful staff. A train to Shanghai should take only 75 minutes, *though it could take* you another hour to find a taxi at Shanghai station. Huaiyin, in *central Jiangsu, has not seen* many foreigners, but is now open for business and has three *hotels under construction. The* only way to get from Nanjing is by taxi, which will take about *four hours and cost around US$* 70.

From Huaiyin to Lianyungang, *an open port city in north*ern Jiangsu,a car is again the only means of transport, unless *you are extremely adventurous* Lianyungang is obviously a city to watch, as it is linked to the *inland by a key railway and has* a port that is being substantially upgraded. A pleasant place to *stay is the Shenzhou hotel* (US$50 a day),which overlooks a swimmable beach. It is ten min*utes drive from the port and has* a telex.

The city is divided into two, *with most of the administrative* offices in west Lianyungang, 34km from the waterfront. A super-highway *is* under construction and, on completion, will mean that there is only 23 min*utes between the two sections*.

Xuzhou is situated at the intersection of the east-west rail line, *emanating from Lianyun*gang, and the main Peking-Shanghai line. The southern suburbs *guest house in Xuzhou* has recently been renovated and is where most visitors stay.

On average, living expenses, banquets for Chinese officials aside, will be about US$120 a *day and that includes the cost of* an interpreter. Credit cards are rarely accepted, so ensure that enough *hard cash is brought* along to cover the entire amount.

Robert Thomson

COMMODITIES AND AGRICULTURE

Ministers study EC environment options

By Bridget Bloom

TOUGH PROVISIONS for controlling the harmful effects of farming on the environment which were introduced in Denmark earlier this year are being examined as possible guidelines for Community-wide policies by EC Agriculture Ministers meeting here.

The Farm Ministers are meeting informally for two days with "agriculture and the environment" as the theme of their discussions. No formal proposals will be made nor decisions taken in this, their first meeting on the subject.

However, with 1987 designated as European Year of the Environment, and many EC government increasingly subject to pressure from "green" lobbies, the EC itself could be on the verge of more active policies on environmental protection.

Both Mr Frans Andriessen, the EC Agricultural Commissioner, and Mrs Britta Schall Holberg, the Danish Agriculture Minister who is host to the present meeting, have called, in papers submitted to the Ministers, for greater integration of environmental matters into the Common Agricultural Policy.

The Danish Government has a particular interest in seeing the extension of Community-wide environmental controls since its own policies are now among the most stringent in Europe.

In the course of the past few months, legislation has been introduced to curb pollution through limiting the application of pesticides and fertilisers as well as to protect the rural landscape.

In an effort to improve the quality of water, for example, farmers are required to reduce the discharge of nitrates and phosphates into rivers and the sea by 50 per cent and 80 per cent respectively over the next six years while the use of chemical pesticides is to be reduced by 25 per cent by 1990.

Strict limits are also being placed on the numbers of livestock allowed on each farm as well as on the storage and use of animal manure, while from next year each farmer will be required to produce an annual plan for his crop rotation, fertiliser and pesticide use.

Such measures are very far from being adopted as Community policy but one of the concerns of the Danish Government, which introduced its legislation under pressure from environmental lobbies, is that, unless there are Community-wide policies the competitive position of its farmers, vis-a-vis Dutch, German or British farmers, could be jeopardised.

In his paper Mr Andriessen sympathised with this view. He also indicated the Commission's intention to introduce specific proposals on the quality of drinking water, which would involve tighter controls on the use of nitrates, as well as stronger restrictions on the approval and use of pesticides on the farm.

The Community has already accepted the principle of cash aid for farmers who farm less intensively or with greater sensitivity towards the environment.

Oil prices fall sharply as Opec output surges

BY MAX WILKINSON, RESOURCES EDITOR

OIL PRICES fell sharply yesterday as the Paris-based International Energy Agency reported that crude was in plentiful supply in spite of a substantial rebuilding of stocks by western nations and a further decline in US oil output.

Brent blend crude was quoted yesterday at $17.75-17.80 a barrel for October delivery, 40 cents down from Friday's closing level of $18.15-18.

In its monthly Oil Market Report, the IEA said that oil production by members of the Organisation of Petroleum Exporting Countries rose by 900,000 barrels a day between July and August to an average daily output of 19.7m barrels.

The main increases in oil production were from Iran (400,000 b/d), the United Arab Emirates (300,000 b/d), Kuwait (300,000 b/d) and Saudi Arabia (200,000 b/d). These increases took Opec production up to almost the same level as a year ago, when over-production had pushed the price down to around $15 a barrel.

As happened last year, the excess Opec production has bee nabsorbed by building up stocks, but the figures suggest that a large volume of crude is still at sea waiting for a market.

The agency estimates that between July and September government and private sector stocks will have been rising by an average 800,000 b/d. However, it estimates that there is a gap of 1.8m b/d between supply and estimated consumption, which has not been accounted for and could represent involuntary stockbuilding.

The agency points out that North Sea oil production has been held back during the summer as a result of maintenance, particularly on the Norwegian Ekofisk platforms. In the Middle East, Iraq's pipeline through Turkey to Iskenderun, with a capacity of 500,000 b/d, is operational, and the trans-Ecuadorean pipeline returned to service in August after being damaged by an earthquake.

Meanwhile, oil consumption has been rising only slowly. The IEA's latest estimate is that developed world consumption this year will rise by about 1 per cent or about 350,000 b/d compared with last year's level.

Production in developed countries has fallen slightly in the first five months of the year, mainly reflecting a fall in output from US oilfields which was only partly offset by a rise in Norway's production.

US production has fallen by almost 6.5 per cent between the two periods to 9.69 b/d. Norwegian output averaged 1.04m b/d for the first five months of the year compared with 750,000 in the same period last year. Production from the UK sector of the North Sea has fallen only slightly from 2.69m b/d in the first five months of last year to 2.61m b/d in the same period this year.

These figures will reinforce the anxiety of senior Opec ministers, particularly Mr Hisham Nazer, the Saudi Oil Minister, that in spite of the Gulf tanker attacks, oil prices could be in danger of falling back to levels reached at the end of last year unless Opec can demonstrate tighter discipline over its production.

Iceland's 'scientific' whaling under fire

By David Blackwell

ICELAND has come under fire from the World Wildlife Fund for its decision to take 20 sei whales "for scientific research" during the remainder of the year.

The WWF yesterday wrote to Mr John Gummer, Minister of State for Agriculture, asking him to make a strong protest to the Icelandic Government. The fund is also urging the US to take up its threat of economic sanctions against countries which do not respect the International Whaling Commission's moratorium on whaling.

Iceland strongly reject the WWF accusations that it is restarting scientific whaling in defiance of International Whaling Commission rules. The country said that in response to appeals it had reduced the number of sei whales it had planned to take from 40 to 20, and abandoned plans to catch 80 minke whales.

However, Iceland's research proposals were rejected by the annual meeting of the International Whaling Commission in June. Proposals from South Korea and Japan were also turned down as not justifiable on scientific grounds.

Iceland maintains that the commission's rejection of its plans was incompatible with the 1946 whaling convention, which contains a provision allowing countries to carry out scientific whaling.

Mr Simon Lyster, WWF International Treaties Officer, said there was no scientific merit in Iceland's proposal, and its motives were "entirely commercial."

AWC steps in 'to halt wool price slide'

BY CHRIS SHERWELL IN SYDNEY

THE AUSTRALIAN Wool Corporation is to intervene in the market "to halt the slide in wool prices." Corporation officials said buying would be concentrated on the medium to coarse grades rather than the more firmly-priced finer categories.

The market indicator price, a weighted average of the main types of wool, finished last week at 849 Australian cents, down 70 cents from the previous week's close of 919 cents and more than a dollar below the high of 951 cents seen in the same week.

The earlier upward trend had marked a spectacular opening to the new 1987-88 selling season, which is now into its seventh week, and outstripped all expectations.

Most forecasts predict a continuation of the firmness seen in the previous season, when the indicator averaged 620 cents and by June reached 756 cents. But few anticipated the surge which actually materialised.

When it came, concern quickly grew that the rises were spurred by short-covering against early orders from those who had recognised the strength of international demand and knew less wool would be available this year from Australia, easily the world's leading exporter.

That generated worries that, once this buying was exhausted, the market would crash. Last month, just before the price peaked, Mr David Asimus, chairman of the Melbourne-based AWC, said the market was being driven by "herd instinct" and indicated that the quicker prices fell back to levels which reflected fundamentals, the better.

Last Friday's statement acknowledged that the intervention was contrary to expectations, but Mr Asimus said the steep rise in prices in the opening weeks of the season and the substantial downturn last week had "markedly altered the trading environment."

The Corporation's Board "determined that the interests of woolgrowers and manufacturers alike would be best served if prices were stabilised at levels close to those prevailing at the end of last season," the statement said.

Officials indicated yesterday that intervention would occur when the indicator price reached 720 cents—somewhat lower tha nthe mid-700s level which they still believe would be supported on the fundamentals of supply and demand.

To that extent the move is simply designed to prevent trouble rather than to shift the market in a particular direction.

It is clear, however, that prices for some of the broader Merino wool types, especially of 23, 24 and 25 microns diameter, are close to the Corporation's intervention level, and it is in these categories rather than in finer ones that the Corporation will make its purchases.

The decision to intervene gives the Corporation renewed flexibility in its long-established policy of smoothing out fluctuations in the market price.

The policy is implemented through its Reserve Price Scheme, which comprises a fixed floor price and the use of reserves.

In June the corporation set a floor price for the 1987-88 season of 645 cents, which now looks low and had certainly become ineffective as a weapon.

The corporation's reserves have meanwhile plummeted. At less than 240,000 bales, they now stand at around a quarter of what they were a year ago. In mid-May they stood at 408,000 bales.

Indeed, some analysts believe the corporation disposed of its reserves prematurely, a point recently acknowledged by Mr Asimus himself. But no one doubts the difficulties of reading a market correctly.

One longer-term consideration which dictated the corporation's intervention was concern that a market indicator price of close to 1,000 cents a kilogram would discourage customers from buying wool and cause them to substitute other fibres.

That fear appears to have receded for the moment, although the shortage of fine wools means there is still some concern over the possible loss of overseas markets.

Further down the road, the worry remains that persistently high prices will promote wool production and, in time, undermine the market.

The US markets were closed yesterday for the Labor Day holiday.

Farmers call for sugarbeet disease compensation

BY DAVID BLACKWELL

THE NATIONAL Farmers' Union is calling on the Ministry of Agriculture to compensate farmers for the cost of the battle against rhizomania—a disease which reduces both the yield of a sugarbeet crop and its sugar content.

The disease, which is widespread on the continent, was discovered in the UK for the first time a fortnight ago on a farm near Bury St Edmunds in Suffolk—the heart of the East Anglian sugar beet growing area. The farm was immediately put under strict quarantine.

Mr Peter Smith, who owns the farm, said yesterday that measures he has taken on the instructions of the Ministry to contain the disease had cost £2,000 already, but "that's just a step along the way.

"We feel we have a responsibility for the national sugar beet crop, and we don't feel up to it," he said.

He will receive compensation for the loss of the crop, worth about £10,000, on the affected field from a voluntary fund set up by the NFU two years ago and supported by all sugar beet growers.

But his whole farm had been blighted, said Mr David Naish, deputy president of the NFU, who is meeting Mr John MacGregor, Minister of Agriculture, tomorrow. Mr Smith now faced the threat of bankruptcy as a result of the current restrictions on his land, and other restrictions which might follow.

"The restrictions the Ministry of Agriculture is imposing on the Smiths are necessary in the national interest," he said. "We are therefore putting it to the Minister asa point of principle that it is the Government's responsibility to compensate for the cost of these restrictions.

Peru's force majeure hits zinc exports

By Doreen Gillespie

MINPECO, Peru's state metals trading company, is rescheduling shipments as force majeure on zinc exports completes its first two weeks.

The company declared force majeure on August 25 when workers at the Cajamarquilla zinc refinery came out on an indefinite strike for wage increases.

Minpeco hopes that the strike will be settled this week. Meanwhile it has been making shipments of small amounts of zinc already at port.

This is the second time refined zinc exports have been halted this year. A one-month force majeure was declared in May during a partial shutdown for maintenance work including repair and replacement of equipment damaged by power blackouts during terrorist attacks.

Cajamarquilla, which is Peru's biggest zinc refinery, expects to produce 155,000 metric tonnes of refined zinc this year.

Centromin, the main state-owned mine, also operates a zinc refinery which produces 70,000 tonnes a year, but this is mainly for the local market.

Refined zinc exports to the end of June totalled $31.8m. Total zinc exports including concentrates earned $112m over the same period.

China ends maize imports

CHINA IS to stop importing maize from October, according to the New China News Agency, Reuter reports from Peking.

The agency quoted the Ministry of Commerce, but gave no details. The Ministry's Foreign Affairs department declined to comment on the report.

Customs figures show China imported 320,000 tonnes of maize in the first quarter of this year, up from 30,000 in the same 1986 period. Customs figures for the rest of the year do not list corn separately.

Foreign traders, who were puzzled by China's announcement, said maize imports had risen because of low world prices, a below-target domestic grain harvest and rising demand for feedgrain.

One Japanese trader said the ban was impossible. "I have heard nothing about it," he said. "World prices are very cheap. Corn (maize) is short in the domestic market. This year, corn imports have been rising and exports falling."

LONDON METAL EXCHANGE WAREHOUSE STOCKS

(Changes during week ended last Friday)

		(tonnes)
Aluminium		
standard	−1,150 to	85,700
high grade	+12,350 to	61,700
Copper	+3,825 to	114,825
Lead	+725 to	21,325
Nickel	+384 to	4,002
Tin	−145 to	22,085
Zinc	−475 to	34,150
		(ounces)
Silver	+16,000 to	19,164,000

The case for a Chernobyl inquiry

FARMER'S VIEWPOINT

By John Cherrington

THE CHERNOBYL disaster happened more than a year ago but its effects on the hill areas of North Wales, Cumbria and South West Scotland are still worrying farmers in those parts.

To their consternation it was found that many lambs from this year's crop were displaying the same evidence of radiation contamination that was discovered last year. Fewer farms were affected, it is true, but was worrying that fresh farms had been added to the list.

Once monitoring has identified affected sheep the farm is closed as far as sales are concerned unless the sheep have been checked a second time and passed fit. Even then they have to be permanently marked, which undoubtedly affects their value. The Ministry of Agriculture compensates farmers for this loss of value, however, and the terms are generally considered fair.

It must be said here that no meat from affected animals is known to have passed into human consumption. The Ministry claims, in any case, that even at the highest radiation levels found the meat would not be a danger to human health.

If that is indeed the case it is pertinent to ask why the restrictions on movement were imposed in the first place and have been reimposed now.

This is only one of the questions which the affected farmers are asking. The fact that radiation has persisted over the 12 months would indicate that some soils retain it and pass it, through vegetation, to grazing sheep. This phenomenon is thought to be most pronounced where the soil is peaty and the vegetation includes lichens.

It is significant that the pattern of farming in all the districts affected is of extensive grazing with "hefted" flocks. The chief characteristic of these hill sheep is that they stick to their birth places without the need for fences—a quality which makes them much more valuable than sheep which can only be introduced to a fenced farm. When one of these hill farms changes hands the valuation of the hefted sheep is a major asset of the vendor.

Now, however, because of the radiation problem, farms of this type in the area are, I am told, virtually unsaleable. Farmers in the area have told me that they feel absolutely helpless and more and more of them are calling for an official scientific enquiry into the whole situation.

The demand for such an enquiry is far from unanimous, however. The Country Landowners Association has asked the Government to set up a scientific enquiry, though not necessarily a public one, and the call has been echoed by Dr David Clark the Labour Party's Agriculture spokesman. But the National Farmers' Union is divided on the issue. I have been told that NFU headquarters has not yet received any official requests from the areas concerned because the affected farmers cannot get a majority at their local branches to push the issue.

The reason for this is quite simple. Hill farmers are in a minority while the majority of lowland farmers in the areas concerned are dependent on sales of stock to other parts of the country. When the restrictions were first imposed last year sales of lamb were affected country-wide. This majority fears that the publicity generated by an enquiry would do great damage to their livestock sales. They would sooner let sleeping dogs lie.

There are other vested interests. In each of the hill areas concerned there are nuclear power installations, including the controversial Sellafield plant in Cumbria. They are mostly suspect in farmers eyes as possible sources of radiation. But on the other hand the nuclear industry is a most important employer, and many local councils, Members of Parliament and trade unions are reluctant to question the merits of a nuclear presence. An enquiry into the aftermath of the Chernobyl disaster could well turn up potential radiation sources nearer home.

Besides there is a confusion of authorities involved. The Ministry of Agriculture deals with England but then there are the Welsh and Scottish Offices to deal with farmers in those countries. The Department of the Environment is also concerned, as well as the Health and Safety Executive. It would seem sensible to set up a separate body to co-ordinate an enquiry into the whole question.

My information is that although sheep flocks and cattle herds have been monitored there has been no monitoring of individual water supplies and other sources through which radiation could pass. It seems that the general attitude is to treat the whole affair as an unfortunate accident which is unlikely to happen again—something that if left alone could well gradually fade away.

As a farmer I cannot agree. To me it was terrifying that a nuclear accident more than a thousand miles away could be the means of contaminating large areas of Britain. It was simply a matter of luck that the fall-out occurred in very sparsely populated areas with very low livestock numbers. What would be the effect of such fall-out on intensively cropped land or on a large city?

I have never believed in the reality of a nuclear war, conventional ones are quite bad enough. But it is very obvious to me that the Soviet Union does not have a monopoly of accident prone scientists. The proliferation of nuclear power stations in Western Europe must multiply the risk of there being another accident one day.

I have a large amount of livestock and many crops on my farm but I have no idea what to do in the event of such a catastrophe, nor, I fear, has any one else. For that reason I would support the widest possible inquiry into the effects of the present radiation in order that measures could be taken to minimise the risk of, or at least respond more efficiently to, another such incident.

LONDON MARKETS

COCOA PRICES dipped to fresh 12-week lows on the London futures market yesterday, before rallying in late trading. Nearby positions still finished a few pounds lower on the day, however. In spite of the late upturn, dealers said background sentiment remained bearish. This was supported by reports that the International Cocoa Organisation was provisionally forecasting a production surplus of 79,000 tonnes for the 1987-88 season. On the other hand, the ICCO was also reported to have cut its estimate of the 1986-87 surplus, to 69,000 tonnes from the 94,000 tonnes it was forecasting in March. On the London Metal Exchange the copper market continued Friday's rally. However, dealers said the morning gains, which were based on technical factors, were not followed through in the afternoon. They thought the absence of a lead from the New York market, which was closed for Labor Day, might have been the explanation for the lacklustre afternoon tone. That was also offered as reason for thin afternoon trading in LME aluminium, which had been strong in the morning in spite of a large rise last week in stocks of high-grade metal.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

99.7% purity	Unofficial close (p.m.)	+ or −	High/Low
	$ per tonne		
Cash	1680-5	+32.5	—
3 months	1638-9	+13.5	1650/1625

Official closing (am): Cash 1680-90 (1650-5), three months 1640-3 (1617-20), settlement 1690 (1655). Final Kerb close: 1635-40. Ring turnover: 2,350 tonnes.

99.5% purity	£ per tonne		
Cash	965-5	+4	—
3 months	961-2	+1	966/961

Official closing (am): Cash 986-7 (976-7), three months 965-6 (956-6.5), settlement 987 (977). Final Kerb close: 964.5-5.5. Ring turnover: 9,675 tonnes.

COPPER

Grade A	Unofficial close £ per tonne	+ or −	High/Low
Cash	1054-6	+10	1056
3 months	1038-9	+8	1040/1035

Official closing (am): Cash 1056-8.5 (1044-4.5), three months 1039-40 (1029-9.5), settlement 1056.5 (1044.5). Final Kerb close: 1039-9.5.

Standard			
Cash	1052-5	+9.5	—
3 months	1035-8	+7.5	—

Official closing (am): Cash 1053.5 (1043-4), three months 1035-8 (1027-30), settlement 1058 (1044). US Producer prices: 80-85 cents per lb. Total ring turnover 26,100 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	411-3	−1	418/413
3 Months	390-1	−2	397/390

Official closing (am): Cash 414-5 (419-20), three months 392.5-3.5 (394-4.5), settlement 415 (420). Final Kerb close: 391-2. Ring turnover: 12,750 tonnes. US Spot: 42 cents per lb.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	3210-5	−27.5	3215
3 months	3195-200	−2.5	3208/3195

Official closing (am): Cash 3210-5 (3219-21), three months 3200-5 (3202-3), settlement 3215 (3221). Final Kerb close: 3200-5. Ring turnover: 822 tonnes.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	446-8	−10.5	—
3 months	453-4	−8	464.5/450.5

Official closing (am): 444-6 (458-60), three months 452-3 (464-5), settlement 446 (460). Final Kerb close: 454-5. Ring turnover: 7,575 tonnes. US Prime Western: 43-48.5 cents per lb.

TIN

KUALA LUMPUR TIN MARKET: Close 16.77 (16.81) ringgit per kg. Down 0.04 ringgit per kg.

LONDON METAL EXCHANGE TRADED OPTIONS

	Strike Price	Calls		Puts	
	$/tonne	Nov.		Nov.	
Aluminium 99.7%	—	—		—	
		Nov.	Jan.	Nov.	Jan.
Aluminium 99.5%	1,575	—	60½	41	87½
	1,600	63½	51	52½	102½
	1,625	52	—	—	—
Copper (Grade A)	1,675	—	—	54	66
	1,700	70	75	64	80
	1,725	57½	64	—	—
Copper (Grade A)	£/tonne 1000	—	—	12½	26
	1025	40½	41½	21	37
	1050	27½	30½	—	—

Estimates.

GOLD

GOLD BULLION (fine ounce)	Sept. 7	
Close	$463½-464	(£279-279½)
Opening	$462¾-463¼	(£279¼-279¾)
M'n'g fix	$463.85	(£279.649)
Aft'n'n fix	$463.50	(£279.183)
Day's high	$464-464½	—
Day's low	$462¼-463	—

GOLD AND PLATINUM COINS		
Am Eagle	$476-481	(£286¼-289¼)
Maplelea	$476¼-479½	(£287-288¾)
Kr'g'rnd	$462-466	(£278½-280)
½ Krug	$240-241	(£144¼-145¼)
¼ Krug	$120½-121½	(£72¾-73¼)
Angel	$474-477	(£285½-287¼)
1/10 Angel	$45¾-50¼	(£27¼-30¼)
New Sov.	$109-110	(£65½-66¼)
Old Sov.	$109-110¼	(£65½-66¼)
Noble Plat.	$621-631	(£374-380)

MEAT

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 97.66p per kg lw (+0.31). GB—Sheep 165.46p per kg est dcw (+11.32). GB—Pigs 74.12p per kg lw (+1.94).

FUTURES—Live cattle: Oct 96.00, Nov 99.50, sales 6.

INDICES

REUTERS

Sept. 4	Sept 3	M'th ago	Year ago
1644.2	1640.3	1637.0	1476.4

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Sep. 4	Sept. 3	M'th ago	Year ago
Spot	128.68	129.88	—	121.72
Fut	131.32	130.87	—	124.94

(Base: December 31 1931=100)

MAIN PRICE CHANGES

	Sept. 7 1987	+ or −	Month ago
METALS			
Aluminium			
Free Market	$1680/690	+35	$1625/645
Copper			
Cash Grade A	£1055	+10	£1129
3 months	£1038.5	+8	£1110.5
Gold Troy oz	$463.75	−1.5	$458.5
Lead Cash	£412	−1	£423
3 months	£390.5	−2	£400.5
Nickel			
Free Mkt	237/257c		238/258c
Palladium oz	$136.50	+1.00	$141.25
Platinum oz	$605.40	−0.85	$628.50
Quicksilver†	$300/310		$270/275
Silver troy oz	463.10p	−0.90	493.50p
3 months	474.70p	−1.90	506.30p
Tin			
Free Mkt	$4175/145	−10	$4190/220
Tungsten	$56.47		$53.69
Wolfram 22.8lb	$43/55		$43/55
Zinc	£447	−19.5	£525
3 months	£453.5	−8	£511.5
producers	$850		$850
OILS			
Coconut (Phil)	$495u		$460
Palm Malayan	$325z		$300
Seeds			
Copra (Phil)	$320	+5	$310
Soyabean (U.S.)	$148.5	+1.5	$150.5
GRAINS			
Barley Fut. Nov.	£99.45	−0.05	£99.65
Maize	£157.00	+4	£156.50
Wheat Fut. Nov.	£105.00	+0.90	£101.45
No. 2 Hard Wint.	‡		‡

OTHERS

Cocoa Ft. Dec.	£1243.5	−8	£1310.5
Coffee Ft. Nov	£1343.5	+2	£1287.5
Cotton A Ind.*	34.95c	+0.3	85.15c
Gas Oil Oct.	$153.25	−4	$154.5
Rubber (kilo)	69.75p	+0.25	70.25p
Sugar (raw)	$146.2u	−2.2	$152.4
Wooltops 64s	487p kilo		496pkilo

‡ Unquoted. † Per 75 lb flask. c-Cents a pound. * Cotton outlook. v Oct. x Aug-Sept. w Oct-Nov. u Sept-Oct. y Nov. z Dec.

SILVER

Three months final kerb 780.3c.

Silver was fixed 0.9p an ounce lower for spot delivery in the London bullion market yesterday at 463.1p. US cent equivalents of the fixing levels were: spot 768.75c, up 0.75c; three-month 782.85c, up [illegible]; six-month 797.9c, up 1.15c; and 12-month 829.3c, up 1.95c. The metal opened at 459½-461p (762-764c) and closed at 462½-464p (768-770c).

SILVER per troy oz	Bullion Fixing price	+ or −	L.M.E. p.m. Unoffic'l	+ or −
Spot	463.10p	−0.90	767.5p	−8
3 months	474.70p	−1.90	781.5p	−7
6 months	486.15p	−1.15	—	
12 months	509.20p	−0.85	—	

LME—Turnover: 0 (0) lots of 10,000 oz.

COFFEE

Robustas traded in a tight range throughout a dull session, reports Drexel Burnham Lambert. The US holiday prevented any arbitrage business and dealers preferred to remain sidelined.

COFFEE	Yesterday's close	+ or −	Business done
Sept	1308-1316	+5.0	1310-1300
Nov	1343-1344	+2.0	1347-1339
Jan	1372-1375	+3.5	1377-1365
Mar	1386-1388	+6.0	1389-1381
May	1405-1407	+2.0	1407-1401
July	1425-1427	+4.0	1427-1419
Sept	1445-1448	+2.0	1449-1444

Sales: 1,238 (2,632) lots of 5 tonnes. ICO indicator prices (US cents per pound) for September 4: Comp. daily 1979 106.84 (106.40); 15-day average 101.80 (101.12).

COCOA

Futures eased in light volume. Physical business was confined to the second hand market, while origins and manufacturer remain withdrawn, reports Gill and Duffus.

	Yesterday's close	+ or −	Business done
	£ per tonne		
Sept	1206-1208	−1.5	1208-1205
Dec	1243-1244	−8.0	1251-1236
March	1274-1276	−10.5	1282-1267
May	1297-1298	−8.0	1301-1292
July	1316-1318	−9.5	1323-1315
Sept	1336-1338	−8.5	1338-1333
Dec	1357-1359	−9.0	1365-1356

Sales: 1,836 (2,581) lots of 10 tonnes.

ICCO indicator prices (SDRs per tonne): Daily price for September 4: 1558.76 (1567.65): 10-day average for September 7: 1588.93 (1597.40).

FREIGHT FUTURES

With no news over the weekend the market traded in quiet conditions, reports Clarkson Wolff.

	Close	High/Low	Prev.
	Dry Cargo		
Oct.	1112/1113	1125/1118	1116/1118
Jan.	1136	1130/1118	1132
Apr.	1198	1205/1192.5	1199/1200
July	1097	1097	1095/1100
Oct.	1065	—	1060
Jan.	1085	—	1090
April	1175	—	1180
BFI.	1060.5		1065.5

Turnover: 200 (130).

GRAINS

	WHEAT		BARLEY	
Mnth	Yest'rdy's close	+ or −	Yest'rdy's close	+ or −
Sep.	104.00	+1.05	96.60	−0.38
Nov.	105.00	+0.80	99.45	−0.50
Jan.	107.25	+0.85	102.90	−0.35
Mar.	110.00	+0.75	104.45	−0.45
May	112.50	+0.75	106.45	−0.35
July	114.75	+0.75		

Business done—Wheat: Sept 104.10-4.00, Nov 105.50-4.85, Jan 107.30-7.00, Mar 110.10-9.80, May 112.60-2.50, July 114.75. Sales: 343 lots of 100 tonnes. Barley: Sept 97.10-6.50, Nov 100.05-99.45, Jan 102.75-2.20, Mar 105.00-4.60, May 106.90. Sales: 109 lots of 100 tonnes.

LONDON GRAINS—Wheat: US dark northern spring No 2 14 per cent Oct 93.50, Nov 95.00. US No 2 soft red winter Oct 89.50, Nov 92.25. French 11½-12 per cent Sept 133.00 sellers. English feed fob Sept 105.50/106.00, Oct/Dec 108.00, Jan/March 111.50 paid east coast. Maize: US No. 3 yellow/French transhipment east coast Sept 157.00 seller. Barley: English feed Sept 100.50 seller, Oct/Dec 104.00/105.50 English, Jan/Mar 108.00/108.50 sellers.

HGCA—Locational ex-farm spot prices. Feed Barley: Eastern 96.00, E. Mids 96.60, E. Nast 96.10, Scotland 94.90. The UK monetary coefficient for the week beginning Monday September 14 (based on HGCA calculations using 4 days' exchange rates) is expected to remain unchanged.

POTATOES

The prospect of further unsettled weather this week and nervous speculation ahead of Wednesday's MAFF meeting kept the market firm, although with limited range and volume, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business done
	£ per tonne		
Nov.	86.80	86.80	87.50
Feb.	97.00	96.00	97.00
March	87.50	86.00	86.00
Apr.	135.00	134.00	135.50-134.20
May	148.20	147.10	148.50-148.00

Sales: 511 (535) lots of 40 tonnes.

OIL

	Latest	Change + or −
CRUDE OIL—FOB ($ per barrel) Sept.		
Arab Light	—	—
Arab Heavy	—	—
Dubai	16.80-16.85*	−0.425
Brent Blend	17.60-17.70	−0.525
W.T.I. (1pm edt)	—	—
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	174-177	−3
Gas Oil	152-153	−4
Heavy fuel Oil	94-96	−3
Naphtha	155-157	−3

* October.
Petroleum Argus estimates

RUBBER

PHYSICALS—Closing prices (buyers): Spot 69.75p (69.50p); Oct 68.50p (68.25p); Nov 68.75p (68.50p). The Kuala Lumpur fob prices (Malay/Singapore cents) per kg was RSS No 1 265.0 (264.0); SMR 20 238.5 (238.0).

SOYABEAN MEAL

	Yesterd'ys close	+ or −	Business done
	£ per tonne		
October	128.5-127.5	+1.40	127.8
Dec	128.0-127.0	+3.15	128.0-125.8
Feb	127.0-128.5	+1.50	—
April	128.0-128.6	+1.30	—
June	125.0-125.8	+0.50	—
August	122.5-125.0	+0.25	122.0
October	122.5-125.0	+1.50	—

Sales: 54 (101) lots of 20 tonnes.

SUGAR

LONDON DAILY PRICE—Raw sugar $146.20 (£88.40), down $2.20 (down £1.40) a tonne for September-October delivery. White sugar $181.00, down $1.20.

	Yesterd's close	Previous close	Business done
	$ per tonne		
No. 6 Raws			
Oct.	127.8-128.0	127.2-127.4	127.8-127.0
Dec	154.6-155.6	154.8-155.0	—
Mar	145.8-146.2	145.6-146.0	146.0-145.0
May	150.0-150.6	150.2-150.4	150.2
Aug	154.6-155.2	154.6-155.0	151.6
Oct	158.2-158.6	159.0-160.2	151.8
Dec	162.0-164.0	166.0-164.6	—
No. 5 Whites			
Oct.	179.4-179.8	179.0-180.0	179.0-178.0
Dec	179.6-180.6	179.0-180.0	180.0-179.5
Mar	185.0-185.0	184.0-185.2	185.0-185.5
May	187.5-189.0	187.0-189.0	187.5-187.5
Aug	191.0-192.0	191.0-194.0	191.0
Oct	194.0-195.6	195.0-197.4	196.4
Dec	197.0-200.0	198.0-200.0	—

Sales: No. 6 314 (1,477) lots of 50 tonnes; No. 5 1,244 (3,153).

Tate and Lyle delivery price for granulated basis sugar was £192.50 (£194.00) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports). Prices for September 4: Daily price 5.42 (5.51); 15-day average 5.53 (5.56).

PARIS—Whites (FFr per tonne): Oct 1072-1074, Dec 1085-1087, Mar 1112-1114, May 1134-1139, Aug 1157-1165, Oct 1180-1190.

GAS OIL FUTURES

Month	Yesterd'ys close	+ or −	Business done
	US$ per tonne		
Sept.	152.25	−4.75	154.75-52.00
Oct	153.25	−4.80	155.50-53.00
Nov.	154.75	−4.00	155.75-54.50
Dec	156.50	−4.00	158.00-56.00
Jan	156.50	−5.50	—

Turnover: 3,475 (1,806) lots of 100 tonnes.

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar drifts quietly

THE DOLLAR drifted down slowly in quiet European trading. New York was closed for the Labour Day holiday, and dealers in Europe were reluctant to take a lead, ahead of Friday's US trade figures and because of continuing tension in the Gulf.

This year's very large US trade deficit weighed on the dollar, but some dealers suggested another shortfall in the region of $16bn in July is already discounted.

There may be support for the US currency if the situation in the Middle East continues to deteriorate, but on the other hand Congress returns today from its summer recess, and is expected to take a very firm line on the US trade deficit. This may involve passing a protectionist trade bill, leading to a clash with President Reagan, who is likely to veto a bill involving measures bringing the US into conflict with its trading partners.

On this basis sentiment surrounding the dollar is very bearish, but yesterday only the Bank of Japan was seen to provide support, with European central banks finding no excuse to intervene in such a quiet market.

There was no reaction to the comments made by Mr Karl Otto Poehl, President of the West German Bundesbank, after a Group of 10 meeting in Basle, when he said central bank governors agreed about the desirability of stable exchange rates.

At the London close the dollar fell to DM 1.7920 from DM 1.7950; to SFr 1.4850 from SFr 1.4870; and to FFrs 5.9950 from FFr 6.0075, but rose to Y141.75 from Y141.70.

On Bank of England figures the dollar's exchange rate index fell to 100.2 from 100.3.

STERLING—Trading range against the dollar in 1987 is 1.6885 to 1.4710. August average 1.5985. Exchange rate index rose 0.3 to 73.3, compared with 71.8 six months ago.

Sterling was firm, benefiting from the weaker dollar, but staying on the sidelines in quiet trading. The pound gained 60 points to $1.6595-1.6605, and also rose to DM 2.9750 from DM 2.9725; SFr 2.4650 from SFr 2.46; FFr 9.9525 from FFr 9.9375; and Y235.25 from Y234.50.

D-MARK—Trading range against the dollar in 1987 is 1.9305 to 1.7690. August average 1.8573. Exchange rate index 147.3, against 147.4 six months ago.

The D-Mark remained very firm against the dollar, as the US currency failed to benefit from Friday's rise in the US discount rate. The dollar closed at DM 1.7920 in Frankfurt, compared with DM 1.7940 on Friday.

The Bundesbank did not intervene when the dollar was fixed at DM 1.7935 in Frankfurt, the lowest level since June 10. On Friday the dollar was fixed at DM 1.7957.

Dealers said the market was calm, showing no reaction to news that West Germany's current account surplus narrowed to DM 4.90bn in July from DM 5.43bn in June. This led to a near doubling of the overall balance of payments deficit to DM 2.45bn from DM 1.30bn, after taking account of a DM 9.29bn net outflow on the capital account, compared with DM 4.86bn in June, and a net outflow of DM 1.46bn in July last year.

JAPANESE YEN—Trading range against the dollar in 1987 is 159.45 to 138.35. August average 147.57. Exchange rate index 223.3, against 209.2 six months ago.

The yen was little changed against the dollar, in quiet Tokyo trading, with dealers reluctant to take fresh initiatives during the long weekend holiday in the US.

Friday's rise in the US discount rate helped the dollar in early trading, but dealers suggested the move did not indicate strong resolve by the Federal Reserve to prevent a further dollar fall. Selling resumed, and the Bank of Japan intervened to support the dollar. This pushed it up to Y141.80 at the close in Tokyo, compared with Y141.45 on Friday.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Sept 7	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.0863	+1.48	+0.77	±1.5344
Danish Krone	7.85212	7.99258	+1.79	+1.08	±1.6404
German D-Mark	2.05853	2.07318	+0.71	0.00	±1.0981
French Franc	6.90403	6.93739	+0.48	−0.23	±1.3674
Dutch Guilder	2.31943	2.33380	+0.62	−0.09	±1.5012
Irish Punt	0.768411	0.778125	+1.26	+0.55	±1.6684
Italian Lira	1,483.58	1,501.03	+1.18	+1.08	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Sept. 7	Close	Previous Close
£ Spot	1.6545-1.6555	1.6545-1.6555
1 month	0.37-0.35pm	0.37-0.35pm
3 months	1.14-1.09pm	1.14-1.09pm
12 months	3.25-3.15pm	3.25-3.15pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

	Sept. 7	Previous
8.30 am	73.1	73.1
9.00 am	73.1	73.1
10.00 am	73.1	73.2
11.00 am	73.1	73.1
Noon	73.2	73.1
1.00 pm	73.2	73.1
2.00 pm	73.3	73.0
3.00 pm	73.2	73.1
4.00 pm	73.3	73.0

CURRENCY RATES

Sept. 7	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	NA	0.695815
U.S. Dollar	5.5	NA	1.15575
Canadian $	8.75	*	1.51600
Austrian Sch.	4	NA	14.5913
Belgian Franc	7¾	NA	43.0863
Danish Krone	7	NA	7.99258
Deutsche Mark	3.0	NA	2.07318
Neth. Guilder	4½	NA	2.33380
French Franc	9½	NA	6.93739
Italian Lira	12	NA	1501.03
Japanese Yen	2½	NA	163.885
Norway Krone	8	NA	7.61350
Spanish Peseta	—	NA	139.268
Swedish Krona	7½	NA	7.31011
Swiss Franc	3.5	NA	1.73744
Greek Drach.	20½	NA	158.303
Irish Punt	—	NA	0.778125

*C$/SDR rate for Sept. 4: 1.70678

CURRENCY MOVEMENTS

Sept. 7	Bank of England Index	Morgan Guaranty Changes %
Sterling	73.3	NA
U.S. Dollar	100.2	"
Canadian Dollar	78.5	"
Austrian Schilling	138.0	"
Belgian Franc	100.0	"
Danish Krone	91.1	"
Deutsche Mark	147.3	"
Swiss Franc	173.5	"
Guilder	135.4	"
French Franc	71.5	"
Lira	47.3	"
Yen	223.3	"

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1975=100).

OTHER CURRENCIES

September 7	£	$
Argentina	3.8490-3.8685	2.3190-2.3280
Australia	2.2870-2.2900	1.3785-1.3795
Brazil	80.755-81.2100	48.655-48.895
Finland	7.2280-7.2405	4.3535-4.3565
Greece	225.35-229.00	136.00-138.20
Hong Kong	12.9400-12.9550	7.7955-7.7975
Iran	117.65*	70.60*
Korea(Sth)	1327.40-1339.40	803.60-810.20
Kuwait	0.46410-0.46470	0.27980-0.27990
Luxembourg	61.80-61.90	37.20-37.30
Malaysia	4.1620-4.1685	2.5075-2.5095
Mexico	2493.50-2496.50	1502.00-1510.00
N. Zealand	2.6490-2.6540	1.5970-1.5985
Saudi Ar.	6.2210-6.2265	3.7500-3.7510
Singapore	3.4690-3.4750	2.0890-2.0910
S. Af. (Cm)	3.3475-3.3630	2.0220-2.0265
S. Af. (Fn)	5.4405-5.6255	3.2785-3.3900
Taiwan	49.60-49.85	30.05-30.15
U.A.E.	6.0925-6.0980	3.6725-3.6735

*Selling rate.

POUND SPOT—FORWARD AGAINST THE POUND

Sept 7	Day's spread	Close	One month	p.a.	Three months	% p.a.
US	1.6525-1.6625	1.6595-1.6605	0.34-0.31 cpm	2.35	1.08-1.03 pm	2.54
Canada	2.1720-2.1792	2.1760-2.1792	0.17-0.07 c pm	0.66	0.59-0.41 pm	0.86
Netherlands	3.34½-3.35½	3.34½-3.35½	1⅝-1½ c pm	4.48	4-3¾ pm	4.63
Belgium	61.67-61.97	61.80-61.90	16-12 c pm	2.72	62-47 pm	3.52
Denmark	11.46½-11.49	11.47-11.48	¼pm-½ dis	−0.39	1-1⅞ ore dis	−0.50
Ireland	1.1135-1.1185	1.1140-1.1150	0.10 dis-0.03pm	−0.38	0.23dis-0.05pm	0.32
W. Germany	2.97-2.98	2.97-2.98	1½-1⅜ pf pm	5.80	4⅝-4¼ pm	6.05
Portugal	234.00-235.70	234.00-235.00	73-128 c dis	−5.14	256-347 dis	−5.14
Spain	199.65-200.23	199.65-199.95	86-118 c dis	−6.13	197-246 dis	−4.43
Italy	2153½-2157½	2154¼-2155¼	4-8 lire dis	−3.34	13-17 dis	−2.78
Norway	10.92-10.94¾	10.92½-10.93½	3-3½ ore dis	−3.57	9⅛-9⅞ dis	−3.48
France	9.94¼-9.96½	9.94¾-9.95¾	2-1½ c pm	2.11	5⅜-4⅞ pm	1.96
Sweden	10.48½-10.50¾	10.49-10.50	1¼-¾ ore pm	1.14	2¼-2 pm	0.91
Japan	234½-235¾	234¾-235¾	1¼-1 y pm	5.74	3⅝-3⅜ pm	6.27
Austria	20.92-20.97	20.94-20.97	10¼-9⅝ gro pm	5.55	31⅞-28⅝ pm	5.69
Switzerland	2.46-2.47	2.46-2.47	1⅜-1¼ c pm	6.09	4⅛-3¾ pm	6.39

Belgian rate is for convertible francs. Financial franc 62.10-62.20. Six-month forward dollar 1.88-1.83 c pm. 12-month 3.10-3.00 pm.

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

Sept. 7	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6525-1.6625	1.6595-1.6605	0.34-0.31c pm	2.35	1.08-1.03pm	2.54
Ireland†	1.4813-1.4898	1.4880-1.4890	0.24-0.19c pm	1.74	0.80-0.70c pm	2.02
Canada	1.3110-1.3128	1.3110-1.3120	0.17-0.20c dis	−1.69	0.54-0.57 dis	−1.69
Netherlands	2.0135-2.0230	2.0175-2.0185	0.36-0.33c pm	2.05	1.06-1.01pm	2.05
Belgium	37.20-37.35	37.20-37.30	1 dis-par	0.19	12.00-5.00pm	0.91
Denmark	6.90¾-6.93	6.91-6.91½	0.75-1.50ore dis	−1.95	3.60-4.35 dis	−2.30
W. Germany	1.7890-1.7970	1.7915-1.7925	0.51-0.48pf pm	3.31	1.56-1.51pm	3.42
Portugal	141¼-141¾	141¼-141½	50-150c dis	−8.48	225-425 dis	−9.19
Spain	120.30-120.66	120.30-120.40	80-110c dis	−9.46	220-260 dis	−7.96
Italy	1296½-1301½	1297¼-1298¼	5.50-7.00lire dis	−5.77	17.00-18.50dis	−5.47
Norway	6.58¾-6.60⅞	6.58¾-6.58¾	3.50-3.80ore dis	−6.64	10.20-10.50dis	−6.28
France	5.99-6.01½	5.99¼-5.99¾	0.16-0.26c dis	−0.42	0.85-1.15 dis	−0.67
Sweden	6.31½-6.34¼	6.32-6.32½	0.75-0.95ore dis	−1.61	2.75-3.05 dis	−1.83
Japan	141.55-141.95	141.70-141.80	0.42-0.39y pm	3.43	1.23-1.18 pm	3.40
Austria	12.61¼-12.64¼	12.61¾-12.62¾	3.50-2.50gro pm	2.85	11.00-9.00pm	3.17
Switzerland	1.4820-1.4890	1.4845-1.4855	0.48-0.43c pm	3.67	1.43-1.38 pm	3.78

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 37.40-37.50

EURO-CURRENCY INTEREST RATES

Sept. 7	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	9¼-9	9½-9¼	9⅞-9¾	10¼-10⅛	10⅝-10⅜	10 11/16-10 9/16
U.S. Dollar	—	7 5/16-6 15/16	7¾-7¼	7 9/16-7 7/16	7 13/16-7 11/16	8½-8⅜
Can. Dollar	8¾-8½	8¾-8½	9 1/16-8 15/16	9¼-9	9¾-9½	10¼-10
D. Guilder	5½-5¼	5⅝-5⅜	5 9/16-5 7/16	5 11/16-5 9/16	5 13/16-5 11/16	5⅝-5½
Sw. Franc	2¼-2	2⅛-1⅞	3⅝-3⅜	3⅞-3⅝	4⅛-4	4⅛-4
Deutschmark	3 13/16-3 11/16	3 13/16-3 11/16	4 1/16-3 15/16	4 1/16-3 15/16	4⅜-4¼	4 9/16-4 7/16
Fr. Franc	7¼-7	7½-7¼	7¾-7⅝	8 5/16-8 3/16	8 13/16-8 11/16	9⅝-9¼
Italian Lire	12-10	12½-11	13-12½	13⅛-12⅞	13¼-12⅞	13½-13¼
B. Fr. (Fin.)	—	6 9/16-6 3/16	6⅞-6⅝	6⅞-6⅝	7 5/16-7 1/16	7⅝-7¼
B. Fr. (Con.)	—	6⅜-5⅞	6⅝-6¼	6⅞-6½	7 1/16-6 13/16	7⅝-7¼
Yen	3 7/16-3 5/16	3½-3¼	4 1/16-4	4 3/16-4⅛	4 5/16-4¼	4 7/16-4⅜
D. Krone	9⅞-9⅛	10⅛-9⅞	10⅜-9⅞	10⅝-10½	10 7/16-9 13/16	11¼-10¾
Asian $Sing.	6 13/16-6 11/16	7-6⅞	7⅝-7¼	7½-7⅜	7 13/16-7 9/16	8½-8⅜

Long-term Eurodollars: Two years 9 1/16-8 15/16 per cent; three years 9⅛-9⅛ per cent; four years 9⅜-9⅛ per cent; five years 9⅞-9⅝ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Sept. 7	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.660	2.975	235.3	9.953	2.465	3.350	2155.	2.177	61.85
$	0.602	1.	1.792	141.8	5.995	1.485	2.018	1298.	1.311	37.25
DM	0.336	0.558	1.	79.08	3.345	0.829	1.126	724.3	0.732	20.79
YEN	4.251	7.056	12.65	1000.	42.32	10.48	14.24	9159.	9.252	262.5
F Fr.	1.005	1.668	2.989	236.4	10.	2.477	3.366	2165.	2.187	62.15
S Fr.	0.405	0.673	1.207	95.44	4.038	1.	1.359	874.1	0.883	25.09
H Fl.	0.299	0.496	0.888	70.22	2.971	0.736	1.	643.2	0.650	18.46
Lira	0.464	0.770	1.381	109.2	4.619	1.144	1.555	1000.	1.010	28.70
C $	0.459	0.763	1.367	108.1	4.573	1.133	1.539	990.0	1.	28.42
B Fr.	1.617	2.684	4.010	380.4	16.09	3.985	5.416	3484.	3.519	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

FINANCIAL FUTURES

Prices little changed

PRICES SHOWED little overall change in the London International Financial Futures Exchange yesterday. Trading in most sectors was confined to a narrow range because US markets were closed for Labor day.

In addition many dealers were trying to sort out the implications of last week's rise in the US discount rate. The rise was seen by the authorities as an inflationary brake and traders were suggesting that any attempt to underpin the dollar was a sideshow. Others were unsure however and there was consequently little incentive to take out fresh positions before any clear trend developed.

Gilt prices opened at 115-02 for December delivery, unchanged from Friday's close and traded between a high of 115-12 and a low of 114-27 before closing at 115-08.

Trading in UK securities was generally lacklustre. Sterling was firmer and recent projections on the UK economy remained hopeful. However some dealers were a little concerned about the narrowing of interest rate differentials after the recent rise in the US discount rate from 5½ per cent to 6 per cent.

Three-month sterling futures opened at 89.52 up from 89.50 on Friday and traded in a narrow five tick range, finishing at 89.54. Cash rates tended to be easier at the shorter end as liquidity level remained adequate while longer term rates were more steady, reflecting a slightly more uneasy tone about the future.

US Treasury bond futures were virtually unchanged to start with, in view of the US closure, opening at 84-03 for December delivery compared with 84-04 and slipping to close at the day's low of 83-20.

Rates in the tables below for London are September 7 and those for Chicago September 4.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last Dec	Calls—Last March	Puts—Last Dec	Puts—Last March
108	7.35	8.10	0.19	0.52
110	5.54	6.40	0.38	1.28
112	4.16	5.16	1.00	1.58
114	2.58	4.04	1.42	2.46
116	1.56	3.04	2.40	3.46
118	1.09	2.15	3.57	4.57
120	0.42	1.38	5.26	6.16
122	0.23	1.07	7.07	7.49

Estimated volume total, Calls 576 Puts 426
Previous day's open int: Calls 18,520 Puts 12,165

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last Dec	Calls—Last March	Puts—Last Dec	Puts—Last March
78	6.01	5.50	0.25	1.02
80	4.27	4.26	0.51	1.42
82	3.08	3.16	1.32	2.32
84	1.58	2.20	2.18	3.36
86	1.00	1.38	3.24	4.54
88	0.33	1.03	4.57	6.19
90	0.16	0.43	6.40	7.59
92	0.07	0.26	8.31	9.42

Estimated volume total, Calls 1 Puts 75
Previous day's open int: Calls 369 Puts 319

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls—Last Sept.	Calls—Last Oct.	Puts—Last Sept.	Puts—Last Oct.
22250	7.57	12.94	1.67	2.44
22500	5.89	11.17	2.49	3.17
22750	4.45	9.55	3.55	4.05
23000	3.26	8.07	4.86	5.07
23250	2.31	6.75	6.41	6.25
23500	1.58	5.58	8.18	7.58
23750	1.04	4.56	10.14	9.06
24000	0.66	3.68	12.26	10.68

Estimated volume total, Calls 6 Puts 0
Previous day's open int: Calls 483 Puts 225

LIFFE £/$ OPTIONS £25,000 (cents per £1)

[illegible]

PHILADELPHIA SE £/$ OPTIONS £12,500 (cents per £1)

[illegible]

LONDON

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

6% NOTIONAL LONG TERM JAPANESE GOVT BOND Y100m 100ths of 100%

THREE-MONTH STERLING £500,000 points of 100%

FT-SE 100 INDEX £25 per full index point

THREE-MONTH EURODOLLAR $1m points of 100%

U.S. TREASURY BONDS 8% $100,000 32nds of 100%

[illegible]

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.6600	1.6568	1.6495	1.6412	1.6295

IMM—STERLING $s per £

	Close	High	Low	Prev
Sep.	1.6515	1.6570	1.6470	1.6550
Dec.	1.6410	1.6470	1.6355	1.6445
Mar.	1.6325	1.6360	1.6290	1.6360
June	1.6225	1.6310	1.6210	1.6260

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev
Sept.	1.6605	—	—	1.6534
Dec.	1.6510	1.6466	1.6455	1.6423
Mar.	1.6430	—	—	1.6340

Estimated volume 6 (50)
Previous day's open int 904 (924)

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

U.S. TREASURY BILLS (IMM) $1m points of 100%

JAPANESE YEN (IMM) Y12.5m $ per Y100

DEUTSCHE MARK (IMM) DM125,000 $ per DM

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

[illegible]

SWISS FRANC (IMM) SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Sep.	0.6738	0.6748	0.6706	0.6750
Dec.	0.6799	0.6812	0.6765	0.6817
Mar.	0.6870	0.6870	0.6835	—
June	—	—	—	—

STANDARD & POORS 500 INDEX $500 times index

	Latest	High	Low	Prev.
Sept.	320.15	322.50	318.50	321.40
Dec.	322.70	325.00	321.00	324.05
Mar.	325.50	327.00	324.30	327.20
June	—	330.20	327.50	329.90

MONEY MARKETS

London rates show little change

INTEREST RATES showed little change in Lodon. Short dates were influenced by the relative ease with which short term money was available while longer dates remained static.

Activity remained at a lowe level. While many traders accepted that the downside potential on UK interest rates was limited, there also appeared to be little reason for another increase, given sterling's relative stability and hopes of better money supply figures later this month.

Any ideas about higher base rates were a reflection of the recent rise in the US discount rate. Discount houses managed to balance books without any trouble, given the forecast of a surplus early on. The consistent easing of short dates also meant that the cost of borrowing was again less than the return on running bills.

UK clearing bank base lending rate 10 per cent since August 7

Three-month interbank money was quoted at 10¼-10⅛ per cent down from 10 5/16-10 3/16 per cent. Overnight money opened at 9¾-9½ per cent and eased to a low of 2 per cent before finishing bid at 4 per cent.

The Bank of England forecast a surplus of around £50m with factors affecting the market including the repayment of late assistance and bills maturing in official hands together with a take up of Treasury in official hands together with a take up of Treasury bills draining £401m and banks' balances brought forward £10m below target. These were partly offset by Exchequer transactions which added £85m and a fall in the note circulation of £388m.

In Frankfurt call money was quoted at 3.70-3.80 per cent from 3.65-3.75 per cent on Friday as traders marked time ahead of today's announcement about the authorities' refunding package.

The Bundesbank is expected to replace some DM17.5bn which is due to be drained out of the market tomorrow through expiring sale and epurchase agreements. Most estimates suggest a tender allocation of between DM14bn and DM16bn at an unchanged and fixed rate of 3.6 per cent.

The apparent draining of funds was seen as justified by some dealers as commercial banks seemed well placed at the moment in their attempt to meet their monthly minimum reserve requirements.

FT LONDON INTERBANK FIXING

(11.00 a.m. Sept.7) 3 months U.S. dollars		6 months U.S. dollars	
bid 7 1/16	offer 7 3/16	bid 7⅞	offer 8

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

		Treasury Bills and Bonds			
Prime rate	N/A	One month	"	Three year	"
Broker loan rate	"	Two month	"	Four year	"
Fed. funds	"	Three month	"	Five year	"
Fed funds at intervention	"	Six month	"	Seven year	"
		One year	"	10 year	"
		Two year	"	30 year	"

September 7	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	3.70-3.80	3.80-3.95	3.80-3.95	3.85-4.00	4.15-4.30	5.0
Paris	7-7⅛	7 5/16-7 3/16	7 13/16-7 11/16	7⅞-8	8⅜-8½	7½
Zurich	⅞-1⅛	3⅞-3⅝	—	3⅞-3⅝	—	—
Amsterdam	5 5/16-5⅜	5 5/16-5 3/16	—	5 9/16-5 7/16	—	—
Tokyo	3.344375	3.71875	—	3.78125	—	—
Milan	11¾-12¼	11⅞-12⅛	—	12-12½	—	—
Brussels	5.90	6 5/16-6 3/16	—	6⅞-6⅝	—	—
Dublin	9¾-9½	9⅞-9½	9⅝-9¾	9 15/16-9 13/16	10⅜-10⅝	—

LONDON MONEY RATES

Sept. 7	Overnight	7 days notice	Month	Three Months	Six Months	One Year
Interbank	9⅞-2	9¾-9⅝	9⅞-9 11/16	10 3/16-10⅛	10½-10⅜	10 13/16-10 11/16
Sterling CDs	—	—	9⅝-9⅝	10 3/16-10 1/16	10 7/16-10 5/16	10½-10⅜
Local Authority Deps.	9⅝	9⅝	9¾	10 3/16	10⅜	10 11/16
Local Authority Bonds	—	—	9⅞	10¼	10⅜	10 11/16
Discount Mkt Deps.	9½-2	9¼	9 3/16	9¾	—	—
Company Deposits	9-8½	9¾-9⅝	10-9 15/16	10½	10¾	10¾
Finance House Deposits	—	—	9¾	10¼	10½	10¾
Treasury Bills (Buy)	—	—	9 11/16	9 11/16	—	—
Bank Bills (Buy)	—	—	9⅞	9 15/16	9 15/16	—
Fine Trade Bills (Buy)	—	—	10¼	10 3/16	10 7/16	—
Dollar CDs	—	—	7.30-7.25	7.5-7.45	7.85-7.80	8.6-8.55
SDR Linked Deposits	—	—	6 5/16-6 3/16	6 5/16-6 3/16	6¾-6½	7⅛-6⅞
ECU Linked Deposits	—	—	7⅛-7	7⅝-7⅛	7½-7⅜	7 11/16-7 9/16

Treasury Bills (sell); one-month 9⅝ per cent; three-months 9⅝ per cent; Bank Bills (sell): one-month 9 11/16 per cent; three months 9 11/16 per cent; Treasury Bills; Average tender rate of discount 9.7614 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day August 28, 1987. Agreed rates for period September 23 to October 25 1987, Scheme I: 11.24 p.c., Schemes II & III: 11.31 p.c. Reference rate for period August 1 to August 28, 1987, Scheme IV: 10.037 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10 per cent from September 1, 1987: Bank Deposit Rates for sums at seven days' notice 3-3¼ per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 9¾ per cent; one-three months 9¾ per cent; three-six months 10¼ per cent; six-nine months 10¼ per cent; nine-12 months 10¼ per cent; Under £100,000 8 per cent from September 2. Deposits withdrawn for cash 5 per cent.

Company Notice

BANQUE NATIONALE DE PARIS

Floating Rate Note issue of US$ 400 million September 1983/91

The rate of interest applicable for the period beginning September 4, 1987 and set by the reference agent is 7⅛% annually.

Art Galleries

£ WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on September 7, 1987. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rate; (cm) commercial rate; (ch) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (nc) non commercial rate; (nom) nominal; (o) official rate; (sg) selling rate; (c) controlled rate.

COUNTRY	CURRENCY	VALUE OF £ STERLING
Afghanistan	Afghani	99.25
Albania	Lek	10.1964
Algeria	Dinar	7.7522
Andorra	French Franc / Spanish Peseta	9.9525 / 199.80
Angola	Kwanza	49.724
Antigua	E. Caribbean $	4.48
Argentina	Austral	3.8587
Aruba	Florin	2.9880
Ghana	Cedi	274.979
Gibraltar	Gibraltar £	1.0
Greece	Drachma	227.18
Greenland	Danish Krone	11.4750
Grenada	E. Caribbean $	4.48
Guadaloupe	Local Franc	9.9525
Guam	U.S. $	1.6600
Guatemala	Quetzal	1.6600 / (F) 4.5120
Panama	Balboa	1.6335
Papua New Guinea	Kina	1.4597
Paraguay	Guarani	521.12 / 1294.66
Peru	Inti	(exc(o)26.385 / 33.027 / 48.02 / 60.34
Philippines	Philippine Peso	33.50

[illegible]

WORLD MARKETS

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY SEPTEMBER 7 1987					FRIDAY SEPTEMBER 4 1987			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987 High	1987 Low	Year ago (approx)
Australia (93)	169.50	+1.1	151.38	155.46	2.40	167.71	150.33	154.16	169.50	99.92	78.80
Austria (16)	98.35	+0.1	87.84	91.65	2.26	98.23	88.05	91.54	101.62	85.53	92.73
Belgium (48)	133.05	-0.5	118.83	122.88	3.85	133.72	119.86	123.83	134.89	96.19	91.96
Canada (129)	136.78	+0.3	122.16	129.90	2.29	136.42	122.28	129.90	141.78	100.00	100.95
Denmark (39)	123.38	+0.4	110.19	115.99	2.44	122.88	110.15	115.74	124.21	98.18	91.82
France (121)	115.86	-1.2	103.48	108.96	2.59	117.22	105.07	110.47	121.82	98.39	96.83
West Germany (92)	100.37	-1.8	89.64	93.51	2.02	102.19	91.60	95.36	104.93	84.00	95.12
Hong Kong (45)	146.48	-0.3	130.82	146.62	2.40	146.85	131.63	147.06	147.36	96.89	78.93
Ireland (14)	145.38	+0.0	129.84	137.62	3.25	145.33	130.27	138.08	145.41	99.50	84.94
Italy (76)	88.85	+1.4	79.35	86.13	2.12	87.63	78.54	85.14	112.11	84.22	99.35
Japan (458)	145.81	-2.7	130.23	130.65	0.52	149.78	134.26	134.16	161.28	100.00	98.47
Malaysia (36)	174.56	+1.9	155.90	168.64	2.11	171.36	153.60	165.65	193.64	98.24	93.86
Mexico (14)	372.29	-0.1	332.50	613.00	0.49	372.78	334.14	613.00	374.62	99.72	58.87
Netherland (37)	124.00	-1.6	110.75	114.21	3.93	126.07	113.00	116.29	131.41	99.65	99.72
New Zealand (24)	132.24	+1.0	118.11	112.19	2.65	130.95	117.38	111.55	132.24	83.93	70.42
Norway (24)	178.95	+1.1	159.82	159.94	1.70	176.94	158.60	158.63	178.95	100.00	106.71
Singapore (27)	168.13	+0.7	150.16	161.93	1.51	166.94	149.63	161.01	174.28	99.29	91.18
South Africa (61)	187.66	+0.8	167.60	136.76	3.04	186.12	166.83	136.77	198.09	100.00	104.48
Spain (43)	159.82	+2.0	142.74	145.72	2.71	156.73	140.49	143.26	161.19	100.00	99.32
Sweden (33)	131.11	+0.0	117.10	122.72	1.88	131.07	117.49	123.07	131.11	90.85	93.17
Switzerland (53)	108.52	-1.3	96.92	99.91	1.66	110.00	98.60	101.40	110.00	92.01	94.01
United Kingdom (333)	155.50	+0.7	138.70	138.70	3.19	154.18	138.20	138.20	162.87	99.65	100.05
USA (589)	129.42	+0.0	115.59	129.42	2.83	129.42	116.01	129.42	137.42	100.00	103.24
Europe (929)	127.56	-0.1	115.92	116.82	2.81	127.63	114.40	117.21	128.35	99.78	97.78
Pacific Basin (683)	146.71	-2.4	131.03	131.97	0.67	150.31	134.73	135.18	158.77	100.00	97.03
Euro-Pacific (1612)	139.12	-1.6	124.25	125.93	1.45	141.31	126.66	128.02	143.65	100.00	97.33
North America (718)	129.81	+0.0	115.94	129.47	2.80	129.79	116.34	129.47	137.55	100.00	103.12
Europe Ex. UK (596)	110.33	-0.7	98.54	103.20	2.47	111.14	99.62	104.16	111.97	98.02	96.43
Pacific Ex. Japan (225)	157.85	+0.6	140.99	148.53	2.37	156.84	140.59	147.82	157.85	99.92	79.02
World Ex. US (1816)	139.70	-1.5	124.77	126.49	1.50	141.77	127.07	128.49	143.38	100.00	97.48
World Ex. UK (2072)	133.76	-1.1	119.46	126.67	1.86	135.25	121.24	128.13	138.82	100.00	99.69
World Ex. So. Af. (2344)	135.34	-0.9	120.87	127.68	1.98	136.62	122.46	128.96	139.47	100.00	99.68
World Ex. Japan (1947)	130.84	+0.0	116.86	126.35	2.78	130.80	117.24	126.46	134.03	100.00	100.30
The World Index (2405)	135.67	-0.9	121.17	127.78	1.99	136.93	122.74	129.06	139.73	100.00	99.71

Base values: Dec 31, 1986 = 100

American and Canadian markets closed for public holidays and Mexican prices were not available on September 7.

CONSTITUENT CHANGES—Deletions: Monolithic Memories (US), Babcock Intl. and Stewart Wrightson (UK). NAME CHANGE: Continental Gummi-Werke to Continental AG (West Germany).

EUROPEAN OPTIONS EXCHANGE

Series		Nov 87 Vol.	Nov 87 Last	Feb 88 Vol.	Feb 88 Last	May 88 Vol.	May 88 Last	Stock
GOLD C	$480	69	12.50	—	—	—	—	$464
GOLD C	$500	45	8	66	15	23	21.50	"
GOLD C	$520	3	4.50	20	11.10	—	—	"
GOLD P	$380	310	0.70	—	—	—	—	"
GOLD P	$390	150	0.60	—	—	—	—	"
GOLD P	$400	150	2	10	2.50	—	—	"
GOLD P	$420	45	2.80	—	—	—	—	"
GOLD P	$440	—	—	80	7.80B	—	—	"
		Sep 87		**Oct 87**		**Nov 87**		
£/Fl C	Fl.330	135	5.45	—	—	—	—	$Fl.335.22
£/FL P	Fl.325	15	0.10	—	—	—	—	"
		Dec 87		**Mar 88**		**June 88**		
£/FL C	Fl.330	3	5.20	—	—	—	—	Fl.335.22
£/Fl. C	Fl.335	135	1.65	—	—	—	—	"
£/Fl. P	Fl.330	15	3.20	—	—	—	—	"
		Sept. 87		**Oct. 87**		**Nov. 87**		
$/Fl. C	Fl.200	421	2.80	109	3.80	—	—	Fl.201.82
$/FL C	Fl.205	21	0.50	55	1.50	—	—	"
$/FL P	Fl.205	191	3.50B	6	5	12	6.30	"
$/Fl. P	Fl.210	293	8.50	50	8.50	—	—	"
$/Fl. P	Fl.215	60	13.70	—	—	—	—	"
		Dec. 87		**Mar. 88**		**June 88**		
$/Fl. C	Fl.200	20	5.30	9	6.40	33	7.30	Fl.201.82
$/Fl. C	Fl.205	29	3.20	20	4.20	5	5.40	"
$/FL C	Fl.215	11	0.70	—	—	—	—	"
$/FL C	Fl.220	—	—	10	1.30	21	1.80	"
$/Fl. P	Fl.195	48	2.50	—	—	—	—	"
		Oct. 87		**Jan. 88**		**Apr. 88**		
ABN C	Fl.50	1146	0.60	295	2.30	30	3.80	Fl.47.60
ABN P	Fl.48	1812	2	491	2.60	305	3.10	"
AEGON C	Fl.100	113	0.50	12	1.50	9	3.50A	Fl.85
AEGON P	Fl.85	104	3.50A	100	4	50	5.50	"
AHOLD C	Fl.100	206	4.10B	17	6.50B	—	—	Fl.99.20
AHOLD P	Fl.100	222	4.90	24	5.20	13	8	"
AKZO C	Fl.170	1773	3.70	445	9	35	23	Fl.165
AKZO P	Fl.170	865	8	107	11.80	3	13	"
AMEV C	Fl.60	72	1.50	16	4	4	6.20	Fl.59.30
AMEV P	Fl.60	84	2.50	27	4.70	142	5.30	"
AMRO C	Fl.85	503	2	103	4.80	3	8	Fl.83.70
AMRO P	Fl.85	468	2.70	25	5	22	6.50	"
ELSEVIER C	Fl.56	469	8.50	—	—	—	—	Fl.63.30
ELSEVIER P	Fl.56	550	0.90	—	—	—	—	"
GIST-BROC.C	Fl.50	340	0.70	19	2.20	6	3	Fl.45.50
GIST-BROC. P	Fl.50	393	5	22	5.60	4	6	"
HEINEKEN P	Fl.180	694	9.50A	200	12.70	—	—	Fl.173.80
HOOGOVENS C	Fl.50	212	0.90	41	3	38	5.40	Fl.46.50
HOOGOVENS P	Fl.45	200	1.40	36	3.20	18	4	"
KLM C	Fl.50	387	2.80	167	5.20	13	6.40	Fl.50.90
KLM P	Fl.50	396	1.40	204	2.90	39	4	"
NEDLLOYD C	Fl.190	107	3.60	—	—	—	—	Fl.177
NEDLLOYD P	Fl.170	137	5.10	29	10.50	—	—	"
NAT.NED. C	Fl.70	256	4.70	35	7.20	—	—	Fl.73.10
NAT NED P	Fl.75	193	3.30	208	4.70	2	5	"
PHILIPS C	Fl.50	597	2.40	158	4.10A	22	5.20	Fl.50.90
PHILIPS P	Fl.55	560	4.60	72	5.70	14	6.60B	"
ROYAL DUTCH C	Fl.270	997	2.80	246	8.90	30	15.80	Fl.259.20
ROYAL DUTCH P	Fl.260	1044	8.70	400	12.60	35	13.50	"
ROBECO C	Fl.105	10	4	—	—	24	9.50	Fl.108.30
ROBECO P	Fl.110	27	4	22	4.70	—	—	"
UNILEVER C	Fl.136	569	3.50	26	9	—	—	Fl.132.50
UNILEVER P	Fl.132	892	4	366	6.10	—	—	"

TOTAL VOLUME IN CONTRACTS: 77,161

A=Ask B=Bid C=Call P=Put

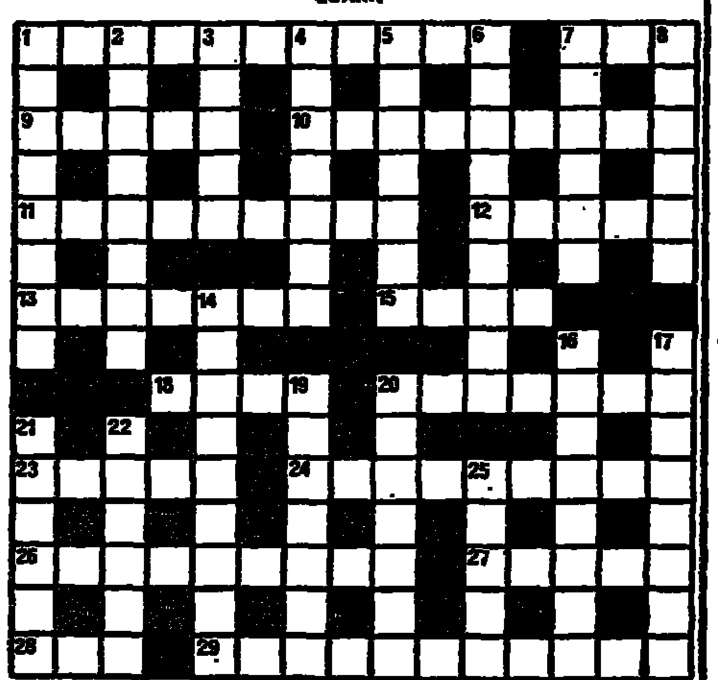
BASE LENDING RATES

	%		%		%
ABN Bank	10	● Charterhouse Bank	10	Nat Bk. of Kuwait	10
Adam & Company	10	Citibank NA	10	NatWestminster	10
Allied Arab Bk Ltd	10	City Merchants Bank	10	Northern Bank Ltd	10
Allied Dunbar & Co.	10	Clydesdale Bank	10	Norwich Gen. Trust	10
Allied Irish Bank	10	Comm. Bk. N. East	10	PK Finans. Intl (UK)	10½
American Exp. Bk.	10	Consolidated Cred.	10	Provincial Trust Ltd.	11
Amro Bank	10	Co-operative Bank	*10	R. Raphael & Sons	10
Henry Ansbacher	10	Cyprus Popular Bk.	10	Roxburghe G'rantee	10½
ANZ Banking Group	10	Duncan Lawrie	10	Royal Bk of Scotland	10
Associates Cap Corp.	10	Equat'r'l Tst.C'p plc	10	Royal Trust Bank	10
Authority & Co Ltd.	10	Exeter Trust Ltd.	10½	Smith & Williams Secs	10
Banco de Bilbao	10	Financial & Gen. Sec.	10	Standard Chartered	10
Bank Hapoalim	10	First Nat. Fin. Corp.	11	TSB	10
Bank Leumi (UK)	10	First Nat. Sec. Ltd.	11	UDT Mortgage Exp.	¶11.1
Bank Credit & Comm	10	● Robert Fleming & Co.	10	United Bk of Kuwait	10
Bank of Cyprus	10	Robert Fraser & Ptrs.	11	United Mizrahi Bank	10
Bank of Ireland	10	Girobank	10	Unity Trust PLC	10
Bank of India	10	Grindlays Bank	10	Western Trust	10
Bank of Scotland	10	● Guinness Mahon	10	Westpac Bank Corp.	10
Banque Belge Ltd.	10	HFC Trust & Savings	10	Whiteaway Laidlaw	10½
Barclays Bank	10	● Hambros Bank	10	Yorkshire Bank	10
Benchmark Tst Ltd.	10	Heritable & Gen. Tst.	10		
Beneficial Trust Ltd.	11	● Hill Samuel	§10		
Berliner Bank AG	10	C. Hoare & Co.	10		
Brit Bk of Mid East	10	Hongkong & Shangh	10		
● Brown Shipley	10	Lloyds Bank	10		
Business Mtge Tst.	10	Meghraj & Sons Ltd.	10		
Ct. Bank Nederland	10	Midland Bank	10		
Canada Permanent	10	● Morgan Grenfell	10		
Cayzer Ltd.	10	Mount Credit Corp. Ltd.	10		

● Members of the Accepting Houses Committee. * 7-day deposits 5%. Savewise 7.66%. Top Tier—£2,500+ at 3 months' notice 9.31%. At call when £10,000+ remains deposited. ¶ Mortgage base rate. § Demand deposit 4.98%. Mortgage 10.5%.

FT CROSSWORD PUZZLE No. 6,424

QUARK



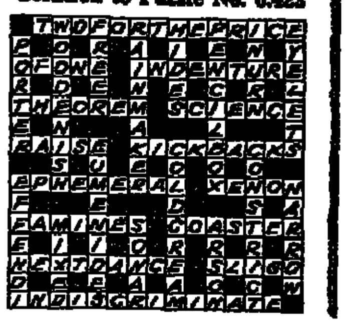
ACROSS

1 Unusual tides at Land's End (11)
7 Old foreign coin is sharp when edge removed (3)
9 Sign of tooth decay without crown (5)
10 He's a strange chap yet in some order (9)
11 Bird's contribution to flight seen in March? (9)
12 Gerald endlessly brewing beer (5)
13 Quiver a lot in voice (7)
15 Blow in 1 down? (4)
18 Sign of Middle English in back number (4)
20 Nothing more to say, considering everything (3, 4)
23 Temporary performer not part of hit (5)
24 He's not a stable chap at the wedding! (9)
26 Surpass one mark in excellent manner (9)
27 Some were maintained by it in the old book (5)
28 Slippery customer returns in general (3)
29 Awkward situations near North East could be of prime importance (6-5)

DOWN

1 Game could be drawn (8)
2 What you could do in icy conditions. Wear this? (8)
3 Is the lady coming out? (5)
4 Plate so placed before a certain spoon? (7)
5 Ted in H.P. could be quite thorough (2-5)
6 The eye has this in sufficiency (9)
7 Farm product—one having time delay in the Kent area? (6)
8 On the rise from outlet to source (6)
14 Inflated weapon, a short piece of explosive (9)
16 Member of unit to order round (8)
17 The mammal in the gallery by the garden (8)
19 He enjoys beef (7)
20 Almost local, yet odd, attendant (7)
21 Writer, but might be seen drawing (6)
22 Fastener of some importance (6)
25 Complaint that could be childish (5)

Solution to Puzzle No. 6,423



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

FT UNIT TRUST INFORMATION SERVICE

Mercury Fund Managers Ltd (c)
33 King William St, EC4R 9AS 01-280 2040

American Growth	111.7	118.2	-0.2	1.26
(Accum Units)	117.0	125.8	-0.2	1.26
American Income	51.6	54.6	-0.3	4.03
(Accum Units)	56.3	59.5	-0.3	4.03
American Sm Cos Fd	50.8	53.7	-0.1	0.46
(Accum Units)	50.8	53.7	-0.1	0.46
British Blue Chip Fund	52.2	55.2	-0.2	2.28
(Accum Units)	52.2	55.2	-0.2	2.28
European Growth	158.6	167.8xd	-0.1	1.48
(Accum Units)	165.6	175.2xd	-0.2	1.48
European Income	85.6	90.5	-0.7	3.28
(Accum Units)	89.9	95.1	-0.7	3.28
Exempt	340.2	358.1xd	-0.3	2.26
(Accum Units)	452.2	546.3xd	-0.4	2.26
General	382.0	404.2xd	-1.0	1.33
(Accum Units)	638.4	675.5xd	-1.8	1.33
Gilt	86.6	89.0	+0.0	7.61
(Accum Units)	105.0	105.3		7.61
Global Fund	51.4	54.5	-0.4	0.66
(Accum Units)	51.6	54.5	-0.4	0.66
High Income Fund	53.4	56.5xd	-0.2	4.73
(Accum Units)	54.3	57.8xd	-0.2	4.73
High Interest Fund	43.1	45.6	+0.0	9.85
(Accum Units)	43.5	46.0	+0.0	9.85
Income	127.2	134.6	+0.1	2.68
(Accum Units)	146.9	155.4xd	+0.1	2.68
International	308.2	326.1	-3.4	1.32
(Accum Units)	385.6	408.0	-5.0	1.32
Japan	205.3	217.2	+0.0	0.49
(Accum Units)	210.7	222.9	+0.0	0.49
Pacific Fund	58.4	61.7	+0.5	0.10
(Accum Units)	58.4	61.7	+0.5	0.10
Recovery	323.5	342.3	+1.1	1.95
(Accum Units)	351.8	372.2	+1.8	1.95
UK Smaller Co's Fund	56.2	59.4xd	+0.2	1.66
(Accum Units)	56.7	59.9xd	+0.1	1.66

Merlin Fund Mngmnt Ltd
30 St James St, London SW1A 1HB 01-925 1277

Merlin Sept 1	627.5	635.5	....	1.08

Metropolitan Unit Trust Mngrs Ltd
3 Darkes Lane, Potters Bar EN6 1AJ. 0707 45184

UK Income Fund	62.4	66.3xd	.....	4.52
Accum Units	63.0	67.0xd	.....	4.48
UK Growth Fund Acc	62.7	66.8	-1.9	1.35
Global Income Fund	49.0	52.1	-0.4	3.84
Accum Units	49.0	52.1	-0.4	3.84
Global Growth Fund	49.3	52.6	-1.1	0.48

Provident Mutual Unit Trust Managers Ltd.
25-31 Moorgate, London, EC2R 6BA. 01-588 3963

PM Equity Growth	120.5	128.2	-0.1	1.01
PM Income and Growth	106.3	113.1	-0.2	2.92
PM N American Growth	57.2	60.8	-0.8	0.34
PM European Growth	53.2	56.5	-0.1	0.54
PM Japan Growth	72.3	76.9	-2.8	0.36
PM Overseas Growth	56.7	60.3	-0.7	0.43

Prudential Unit Trust Mngrs Ltd (a) (b) (c)
51-59 Ilford Hill, Ilford, Essex IG1 2DL 01-478 3377
Holborn LinkLine 0800 010345

Holborn Comm Tst	83.0	87.8xd	-0.9	0.35
Holborn Equity Income	73.5	77.7xd	.....	3.31
Holborn Equity Tst	598.0	632.7	+1.3	2.13
Holborn European Tst	126.3	133.6	.....	0.62
Holborn Gilt Tst	207.1	216.0	-0.6	2.22
Holborn High Inc Tst	89.4	94.6xd	-0.9	4.56
Holborn Intl Grth Tst	124.3	131.5	-1.6	0.66
Holborn Intl Spl Cos	.....	0.50	.....	0.05
Holborn Japanese Tst	136.8	144.7xd	-3.3	0.04
Holborn N. Amer. Tst	94.7	100.2	-1.1	0.48
Holborn Sm Cos Tst	81.3	86.0	+0.1	1.35
Holborn Spec Sits Tst	106.4	112.5	-0.4	1.30
Holborn UK Growth Tst	118.4	125.2xd	-0.6	1.50

Quilter Management Co Ltd
31-45 Gresham Street, London EC2 01-600 4177

Quadrant Gen. Fd	675.7	715.1	+6.5	1.37
Quadrant Income	359.0	384.5	+6.7	3.76
Quadrant Intl. Fund	457.6	484.3	-8.1	1.03
Quadrant Spec. Sits	468.0	495.3	+3.4	1.35

Reliance Unit Mgrs. Ltd
Reliance House, Tunbridge Wells, Kent 0892 510033

British Life	247.2	262.8	+0.8	2.29
Reliance Unit Tst (Inc)	172.3	183.2	+0.1	1.44
Reliance Ut Tst (Acc)	231.9	246.6	+0.2	1.44

Rensburg Fund Managers
Silkhouse Ct., Tithebarn St., Liverpool. 051-227 2030

Internat. Growth Trust	51.2	53.9	.....	1.5

N.M. Rothschild Fund Mgmt
St Swithin's Lane, London EC4 01-634 2981/4

NC America (Inc)	323.6	344.2xd	-2.6	0.72
NC America (Acc)	357.0	379.7	-2.9	0.72
NC Inc Fd	127.5	135.6	+0.2	2.96

Standard Life Trust Mgmt. Ltd
3 George St, Edinburgh EH2 2XZ 0800 393777

Stewart Ivory Unit Trust Mgrs Ltd (a)
45 Charlotte Sq, Edinburgh 031-226 3271

Sun Alliance Fund Management Ltd

Sun Life of Canada Unit Mgrs Ltd

Sun Life Trust Mgmt. Ltd

Swiss Life Pen. Tst. Man. Co Ltd (a)(c)

TSB Unit Trusts (b) (c) (y)

3i Unit Trust Managers Ltd

Target Trust Mngrs. Ltd (a)(g)

Templeton Investment Management

Thornton Unit Managers Ltd

Touche, Remnant Unit Trust Mngt Ltd

Trades Union Unit Trust Managers

Trident Funds Mgrs. Ltd

Tyndall Unit Trust Managers Limited

UK Provident Unit Trust Managers Ltd

Unit Trust Account & Mgmt. Ltd

United Charities Unit Trusts (a)(c)(z)

Vanguard Trust Managers Ltd

Waverley Asset Management Ltd

Wellington Fund Mngrs Ltd

Whittingdale Unit Trust Managers

Windsor Trust Mngrs Ltd

Wright Seligman Fund Managers Ltd

Yorkshire General Unit Trust Ltd.

INSURANCES

AA Friendly Society

Abbey Life Assurance Co Ltd

FT UNIT TRUST INFORMATION SERVICE

Manufacturers Life Insurance Co (UK)
St George's Way Stevenage 0438 356101

Managed	451.0	474.7		
Property	282.7	297.6		
Equity	575.3	605.6		
Gilt Edged	350.6	369.3		
Deposit	206.9	216.7		—
Investment	245.1	257.4		—
International	439.8	462.9		—
Pension Fund Prices				
Managed Init		328.5		—
Do. Accum		405.3		—
Property Init		246.2		—
Do. Accum		322.7		—
Equity Init		451.6		—
Do. Accum		579.9		—
Gilt Edged Init		221.5		—
Do. Accum		272.4		—
Guaranteed Init		158.6		—
Do. Accum		195.0		—
International Init		539.4		—
Do. Accum		662.9		—
Index Lk Gilt Init		135.3		—
Do. Accum		166.4		—

Merchant Investors Assurance
Leon House, 233 High St, Croydon 01-686 9171

Property	318.7	+5.2	—
Property Pens	427.1	+2.9	—
Equity	197.8	+0.6	—
Equity Pens	896.3	+1.9	—
Money Market	296.8	-0.2	—
Money Mkt. Pens	534.1	[illegible]	—
Deposit	239.7	[illegible]	—
Deposit Pens	381.6	+0.2	—
Managed	299.3	+0.5	—
Managed Pens	575.4	+2.9	—
Intl Equity	357.3	+0.0	—
Do Pens	582.6	+0.1	—
Intl Managed	327.3	+0.7	—
Do Pens	482.6	+1.6	—
North American	134.6	-0.8	—
Do Pens	154.5	-1.3	—
Far East	301.6	+1.5	—
Do Pens	432.0	+2.1	—
Intl Currency	169.5	-1.1	—
Do Pens	216.9	-2.0	—
Index Linked	128.6	-0.5	—
S & C Managed Fd	149.5	+3.4	—
S & C Pens Mngd Fd	118.9	+2.9	—
Bell Chambers	129.6	+6.1	—
Loran & Loran	117.4	+0.1	—
Trustlink Life Funds			
Per Worldwide Pec	169.5	+0.0	—
Per Far East Growth	220.9	-1.0	—
Per Intl Growth	164.3	+0.1	—
Per Income	177.3	+1.1	—
Per Emerging Co's	166.5	+0.0	—
Per American Growth	148.2	-0.7	—

National Provident Inst.—Contd.

Far East Initial	489.3	515.1	-12.7	—
Far East	586.4	617.3	-13.9	—
Prop. Initial	143.4	151.0	-0.2	—
Prop	172.1	181.2	-0.2	—
Fixed Int. Initial	181.1	190.7	-0.6	—
Fixed Int	217.6	229.1	-0.7	—
Indexed Gilt Initial	160.5	125.7	-0.7	—
Indexed Gilt	119.5	125.8	-0.8	—
Deposit Initial	135.5	142.6	+0.1	—
Deposit	164.6	173.1	+0.1	—
NPI Pensions Management Ltd				
Managed Fund	966.1	982.4		—

Prices Sept. 1. Next dealing Oct. 1.

Norwich Union Asset Management Ltd
PO Box 124, Norwich NR1 1JS 0603 683986

NUAM Funds				
Managed Fund	57.4	60.5	-0.3	—
Stock Market Mngd Fund	59.3	62.5	-0.4	—
Equity Fund	64.2	67.6	-0.3	—
International Fund	55.5	58.5	-0.5	—
European Fund	59.4	62.6	-0.6	—
North American Fund	50.8	53.5	-0.5	—
Pacific Fund	64.6	68.0	+1.3	—
Property Fund	52.1	54.9		—
Fixed Interest Fund	48.1	50.7	-0.1	—
Index Linked Sec Fund	45.4	47.8	-0.2	—
Deposit Fund	51.2	53.9		—
NUAM Retirement Plans				
Mixed Fund	61.6	64.9	+0.1	—
UK Ordinary Share	73.5	77.4	+0.3	—
International Fund	57.9	61.0	-0.1	—
Property Fund	52.1	54.9		—
Fixed Interest Fund	49.8	52.5	-0.1	—
Index Linked Sec Fund	45.9	48.4	-0.1	—
Deposit Fund	53.2	56.1		—
NUAM (MF)				
Managed Fund	759.5	831.1	-3.9	—
Equity Fund	1712.5	1902.7	-8.3	—
Property Fund	324.4	341.5	+0.1	—
Fixed Interest Fund	354.6	373.3	-0.9	—
Deposit Fund	299.0	[illegible]		—
International Fund	144.1	151.7	-1.4	—
Index Linked Sec Fund	45.4	47.8	-0.2	—

Norwich Union Life Insurance Soc.
PO Box 4, Norwich NR1 3NG 0603 622200

Pensionvestor & Unit-Linked Plus				
Fixed Interest Fund	248.9	262.0		—
Index-Linked Sec Fund	130.3	137.1		—
Ordinary Share Fund	528.8	556.6		—
International Fund	150.5	158.4		—
Property Fund	162.5	171.0		—
Deposit Fund	166.8	175.5		—
Mixed Fund	342.5	360.5		—
Norwich Units Aug 15		1035.5		—

*Prices as at June 30

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

1987 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
101¾	100½	Treas. 12pc 1987	100½	.....	11.98	10.02
99½	97½	Treas 7¼pc 1985-88‡‡	99½	.....	7.79	9.18
102¼	99½	Exch 10½pc '88	100½	.....	10.49	10.21
101½	98½	Treas 9¼pc Cv '88	99½	+½	9.79	10.28
97½	93½	Transport 3pc '78-88	96½	+½	3.11	7.33
101½	98½	Treas. 9½pc '88	99½	.....	9.59	10.34
105½	101½	Treas 11½pc 1989	101½	.....	11.33	10.30
102½	97½	Treas 9½pc Cnv 1989	98½	.....	9.62	10.33
94½	89½	Treas 3pc 1989	93½	.....	3.22	7.36
104½	99½	Treas 10½pc 1989	100¼	+½	10.48	10.32
103½	98½	Exch 10pc 1989	99½	+½	10.06	10.34
105½	100½	Exch 11pc 1989	101½xd	+½	10.87	10.32
95½	89½	Treas 5pc 1986-89	93½	+½	5.38	8.72
108½	99½	Exch 10¼pc Cv '89	100½	+½	10.21	10.00
111½	105	Treas 13pc 1990‡‡	105½	+½	12.29	10.14
106½	100½	Exch 11pc 1990‡‡	101½	+½	10.83	10.23
110½	104½	Exch. 12½pc 1990	104½	+½	11.91	10.25
91½	84½	Treas. 3pc 1990	88½	.....	3.38	7.83
100½	93½	Treas 8¼pc 1987-90‡‡	95½	.....	8.63	10.09
105	97½	Treas. 10pc Cv 1990	99½	+½	10.10	10.33
89½	81½	Exch 2½pc 1990	85½	+½	2.91	7.53
110½	102½	Treas 11¾pc 1991	103½	+½	11.32	10.32
95½	87½	Funding 5¾pc '87-91‡‡	89½xd	+½	6.45	9.38
89½	80½	Treas. 3pc 1991	84½	.....	3.55	7.89
110½	99	Treas 10pc Cv '91 ‡‡	100½	+½	9.98	9.90
109½	101½	Exch. 11pc 1991	102¼	+½	10.76	10.31
96½	91½	Treas. 8pc 1991●	92½	+½		
116½	107½	Treas 12¾pc 1992‡‡	108½	+½	11.76	10.27
106½	97½	Treas 10pc 1992	99½	+½	10.08	10.21
99½	90½	Treas. 8pc 1992 ‡‡	92½xd	+½	8.78	10.45
108½	99½	Treas 10½pc Cv 1992‡‡	100¼	+½	10.42	10.26
85½	79½	Treas. 3pc 1992	79½	.....	3.74	8.03
115½	106½	Exch. 12¼pc '92	107½xd	+½	11.40	10.27

Five to Fifteen Years

Over Fifteen Years

Undated

BRITISH FUNDS—Contd

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

1987 High	Low	Stock	Price £	+ or −	Div % Gross	Red. Yield
53	42	Greek 7pc Ass.	53	.....	3.50	16.60
50	40	Do. 6pc 28 Stb. Ass.	50xd	.....	3	16.00
50	45	Do 4pc Mixed Ass.	50	.....	2	14.23
66	58	Hung. '24 Ass.	64	.....	2.75	14.30
146½	127½	Hydro Quebec 15pc 2011	130½	+½	15.00	11.25
136¼	115½	Iceland 14½pc Ln 2016	122½xd	.....	14.50	11.70
105½	94	Ireland 9¾pc '91-96	96½xd	−½	9.75	10.18

AMERICANS

Money Market Bank Accounts

Money Market Trust Funds

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS—Continued

1987 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
30	22⅞	Sara Lee $1	26	−	$1.00	—	2.3
11	8⅝	Saul (B. F.) $1	11	−	20c	—	1.1
26½	19⅞	Southwestern Bell $1	22¼	−½	$2.32	—	6.3
19	14¼	Staley Continental	17⅝	−½	80c	—	2.8
44	35⅝	Sun Co. Inc. $1	35⅝	−¼	$3.00	—	5.2
42¼	28	TRW Inc. $0.625	37⅝	+	$1.60	—	—
34⅞	25⅞	Tenneco $5	32	.....	$3.04	—	5.8
202½	149½	Do. 10pcLn.Stk. 91-5	202	.....	10%	—	5.0
29⅞	17	Texaco $6.25	24⅜	+	$3.00	—	7.5
74	47¼	Time Inc. $1	62½	−1	$1.00	—	1.0
15¼	11	Tracor $0.33	14¼	.....	40c	—	1.7
30¼	18⅞	Transamerica $1	25	−	$1.76	—	4.2
14¼	922p	Transworld Corp $5	12⅞	.....	20c	—	1.0
49	29¼	TRINOVA Corp.	44	+	$1.00		1.4
24	15	USX $1	21	−½	$1.20	—	3.5
19⅜	15	Union Carbide $1	16¼	−	$1.50	—	5.5
37⅞	26⅞	Utd. Technologies	32⅞	−	$1.40	—	2.6
33⅜	27	US West	32⅝	−⅞	$3.28	—	6.2
30½	17¼	Waste Management $1	26⅞	−	—	—	—
£31⅛	£20½	Whirpool $1.0	£22½	−⅛	—	—	—
37⅞	26	Woolworth $3½	31⅞	−	$1.32	—	2.6

CANADIANS

1987 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
691p	373p	ABM Gold Corp	391p	−5	—	—	—
21¼p	10p	Abbot Energy Corp.	20¼p	.....	—	—	—
15½	506p	Amer. Barrick Res.	14⅞	.....	—	—	—
122p	52p	Armeco	78p	+2	—	—	—
19⅜	14⅝	Bk. Montreal	15	+⅛	$2.00	—	6.1
10½	745p	Bk. Nova Scot.	788p	−4	72c	—	4.2
20⅝	18	BCE	18⅝	−⅛	$2.40	—	5.9
10½	712p	Bow Valley	833p	−10	40c	—	—
20	12⅝	Brascan	18¼	−⅛	88c	—	2.2
609p	277p	Breakwater Res.	408p	+6	—	—	—
11⅝	894p	Can.Imp.Bk. $2	10½	−⅛	$2.08	—	4.9
14	865p	Can. Pacific	12¼	−⅛	48c	—	1.8
42½	37½	Do. 4pc Deb £100	41½	.....	4%	—	9.6
827p	472p	Central Capital 'A'	678p	−11	—	—	—
720p	551p	Derlan Inds.	566p	−2	11.75c	—	1.0
17⅞	756p	Echo Bay Mines	17	.....	20c	—	0.5
230p	66p	Euro-Asia Capital Ltd.	216p	+5	—	—	—
752p	223p	Galactic Resources	739p	+7	—	—	—
69p	32p	Global Data Systems	41½p	−2½	—	—	—
873p	399p	Granges Explo	655p	−5	—	—	—
19p	10p	Gt Pacific Res	13½p	.....	—	—	—
14½	781p	Gulf Canada	13⅝	.....	52c	—	1.8
14⅞	10	Hawker Sid Can	13½	−⅛	96c	—	3.3
740p	460p	Henlys Group	563p	.....	—	—	—
14⅝	10⅞	Hudson's Bay	11⅞	−⅛	60c	—	2.5
38⅜	24¼	Imperial Oil	34⅜	+⅛	$1.60	—	2.1
13⅞	782p	Inco	12⅛	−⅛	US$0.20	—	1.0
25⅛	14⅛	Intl. Corona Res	19½	+⅝	—	—	—
785p	575p	Inland Nat. Gas $1	638p	+1	60c	—	4.3
10¼	385p	Lacana Mining Corp	10½	−⅛	015c	—	0.7
363p	156p	Muscocho Explo.	282p	+6	—	—	—
10⅞	748p	Nal Business Syst.	993p	+12	—	—	—
623p	338p	Nevada Goldfields	368p	−5	—	—	—
12	927p	Rio Algom	10⅝	+⅛	$1.30	—	5.6
19⅛	14⅛	Royal Bk. Can.	15⅝	+⅛	$2.00	—	5.9
385p	135p	Royex Gold Mining	253p	+6	—	—	—
52¼	40⅝	Seagram	44⅝	−⅛	US$1.00	—	1.4
731p	235p	Sonora Gold Corp	569p	−5	—	—	—
15⅜	11½	Toronto-Dom. Bk.	15⅞	+¼	84c	—	2.5
228p	19p	Trans Atlantic Res	69p	+5	—	—	—
10⅛	789p	Trans Can Pipe	822p	−10	$1.12	—	6.3
185p	124p	Varity Corp	151p	−3	—	—	—

BANKS, HP & LEASING

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INSURANCES

LONDON SHARE SERVICE

INSURANCES—Continued

[illegible]

LEISURE

[illegible]

MOTORS

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING—Continued

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Cont.

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

FINANCE, LAND—Cont.

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Continued

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

High	Low	Stock	Price	+ or –	Div Net	C'vr	Gr's	P/E
[illegible]								
151	47	Corton Beach 10p	127	–3	0.4	♦	0.4	♦
200	150	Crown Eyeglass 5p	175	+3	—	—	—	—
*62	18	Eglinton Oil Ir.5p	26	......	—	—	—	—
41	17	Do. Warrants	18	......	—	—	—	—
186	101	Far East Res. 10p	131	–2	—	—	—	—
88	55	Gardner (J.) 5p	88	+5	R1.25	2.3	1.9	30.5
34	29	Honorbilt 5p	32	......	—	—	—	26.9
87	68	Lynx Tech. 5p	70	......	b—	—	—	8.0
82	17	Publishing Hldgs.5p	69	+2	—	—	—	40.0
87	45½	Theme Holdings	72	–3	1.0	1.9	1.9	38.6
153	140	UPL Group 10p	140	......	L2.41	2.8	2.4	—
140	111	Unit Group	140#	......	R4.6	2.5	4.5	10.0

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsetable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 27 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ∎ No par value.

B.Fr. Belgian Francs. Fr. French Francs. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	95	......	Fin. 13% 97/02	£105¼xd	......
Craig & Rose £1	638	......	Arnotts	388	......
Finlay Pkg. 5p	111	–1	CPI Hldgs	90	......
Holt (Jos) 25p	1005	......	Carrol Inds.	175	......
IoM Stm. £1	173	......	Dublin Gas	30	+5
			Hall (R. & H.)	130	......
IRISH			Heiton Hldgs.	78xd	+12
Fund 11¼% 1988	£100¼	......	Irish Ropes	210	......
Nat. 9¾% 84/89	£97½	......	Unidare	390xd	......

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	48	NEI	13
Amstrad	19	Nat West Bk	65
BAT	62	P & O Dfd	65
BOC Grp	50	Plessey	20
BSR	17	Polly Peck	34
BTR	36	Racal Elect	32
Babcock	32	RHM	35
Barclays	52	Rank Org Ord	70
Beecham	52	Reed Intnl	50
Blue Circle	50	STC	30
Boots	30	Sears	16
Bowaters	50	TI	37
Brit Aerospace	50	TSB	12
Brit. Telecom	28	Tesco	18
Burton Ord	32	Thorn EMI	65
Cadburys	25	Trust Houses	25
Charter Cons.	45	Turner Newall	26
Comm Union	34	Unilever	62
Courtaulds	45	Vickers	20
FNFC	32	Wellcome	42
Gen Accident	95	Property	
GEC	22	Brit Land	30
Glaxo	200	Land Securities	50
Grand Met	50	MEPC	48
GUS 'A'	125	Peachey	40
Guardian	95	Oils	
GKN	38	Brit Petroleum	32
Hanson Tst.	17	Britoil	30
Hawker Sidd	58	Burmah Oil	52
ICI	125	Charterhall	10
Jaguar	52	Premier	11
Ladbroke	45	Shell	125
Legal & Gen	32	Tricentrol	11
Lex Service	45	Ultramar	26
Lloyds Bank	35	Mines	
Lucas Inds	75	Cons Gold	125
Marks & Spencer	22	Lonrho	28
Midland Bk	45	Rio T Zinc	100
Morgan Grenfell	55		

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON STOCK EXCHANGE

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Aug 24	Sept 10	Sept 11	Sept 21
Sept 14	Sept 24	Sept 25	Oct 5
Sept 28	Oct 8	Oct 9	Oct 19

* New time dealings may take place from 9.00 am two business days earlier.

Fresh speculation develops in Midland Bank after heavy turnover in new shares

Funding commitments continued to curb institutional interest and volume remained low, but at the end of the session traders gave the UK securities market credit for an overall good performance.

Easier trends over the weekend in Tokyo and New York markets—the latter was closed yesterday for Labor Day—imparted early restraint and London looked set to drift lower. Trade was uninspiring with sterling exchange rate consideration subduing international and other quality issues. Only situation stocks and those featuring in the weekend financial columns traded in any size.

Midland Bank were assured of further speculative support after the news that acquisitive industrial conglomerate Hanson Trust had built up a disclosable stake; it revealed later yesterday a shareholding of 5 8 per cent.

A buzz of excitement went round when shortly after midday when the rump of Midland Bank's recent rights issue was sold at a small discount only to the then prevailing price. Top broking house Cazenove effected a block trade of 17.5m new shares, the deal occurring simultaneously with another sale of 7.4m shares at a slightly higher level. Activity broadened as the inevitable speculation arose that the shares could pass into the hands of one buyer, and turnover in the new finally amounted to 33m shares.

Blue Circle Industries and Ultramar were other stocks to trade actively while the Property sector was given a fillip by news of an increase in rents for City office space. Man issues made impressive gains, including leaders Land Securities and MEPC.

Illustrating the cautious start to the session, the FT-SE 100 share was 7.4 down soon after 10 am but it rallied progressively to close at the day's highest, showing a net gain of 8.7 at 2283.6.

Sterling's fresh firmness gave support to Gilt-edged securities. Business was light and inhibited by the lack of action in LIFFE market pit which was celebrating an annual golfing fixture. Japanese and US bond dullness in the wake of Friday's rise in the Fed discount rate to 6 per cent made little impact, and Gilt quotations fluctuated within a narrow range of ⅛ before settling slightly higher on the day.

Phillips and Drew suggests in its September economic comment that institutional investors could be well-advised to step up the Gilt proportion in their portfolios as insurance against the risk of economic dislocation in the years ahead. Reserve Assets Managers adopt a similar view, feeling that the market has now established the beginning of a base from which a reasonable upward move can take place.

GEC edged higher late in the session and close 4 up at 217p following a lunch at Chase Manhattan Securities. Analyst Brian Newman remains bullish of the stock following the success of its acquisitions policy. Today GEC is making its first ever presentation to the Society of Investment Analysts.

Leisure group Grent Walker's purchase of the Trocadero Island site in London's West End for £90m cash from Electricity Supply Nominees was surprising—it had been thought that the site would go to an overseas buyer. The BW purchase will be in part funded with cash and eventually by proceeds from the sale of some of the assets of the Metropole casinos division acquired in July this year. Brent Walker shares added 3 to 373p, but the main beneficiary of the deal appears to be Kennedy Brookes, which runs restaurants in the Trocadero, and whose shares moved up 16 to 425p on the news.

The sale of the remaining shares of the Midland Bank £700m rights issue, and another large chunk of the stock, tool Midland "new" up to 516p although profit-taking pared the price to 497p before a late rally to 505p, a net gain of 5; turnover in the "new" shares was 33m and in the "old" 4.6m. Activity in Midland Bank traded options was also sharply increased, but a total turnover of 2,730 contracts was largely made up of "puts" where 2,493 contracts were recorded. Business was mainly concentrated in the December 485 series, which attracted 1,838 contracts.

Other leading banks opened higher—boosted by conformation of the Hanson Trust stake in Midland—but drifted back on lack of interest before staging a good rally late in the day.

Lloyds ended the session 5 up at 348p, Barclays edged up 4 to 554p and NatWest rose 3 to 723p. TSB continued to move ahead, closing another 2½ to the good at 139½p; the final 50p called on the shares has to be received by 3 pm today; dealers said the recent wave of selling by small holders of the shares and largely dried up. Profit-taking left Union Discount—where Ron Brierley recently increased his stake to 17.2 per cent—17 lower at 953p.

Life assurances slipped back initially, on profit-taking after last week's Ron Brierley bid for Equity & Law, but moved up during late trading ahead of the next series of trading statements in the sector. Abbey, boosted by a BZW "buy" recommendation ahead of the October 14 interims, added 4½ to 295p. Equity and Law, stimulated by talk of a counter to the Brierley bid, gained 5 to 392p. The £150m sterling short term loan facility to boost its mortgage business failed sustain London and Manchester which fell away to close 7 down at 338p. Guardian Royal lost 5 to 994p, after a turnover of 1.6m shares.

FINANCIAL TIMES STOCK INDICES

	Sep. 7	Sep. 4	Sep. 3	Sep. 2	Sep. 1	Year ago	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Government Secs	85.82	85.72	86.00	85.66	85.33	88.47	93.32 (8/5)	84.49 (6/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	92.35	92.18	92.20	92.24	92.02	94.84	99.12 (15/6)	90.23 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1788.5	1782.1	1774.5	1763.2	1778.9	1338.4	1,926.2 (16/7)	1,320.2 (2/1)	1,926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	467.4	451.2	452.8	444.9	438.2	308.6	497.5 (4/8)	288.2 (19/2)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	3.26	3.27	3.26	3.28	3.25	4.13				
Earnings Yld.%(full)	8.05	8.07	8.06	8.06	7.99	9.50				
P/E Ratio (net) (*)	15.25	15.21	15.23	15.25	15.38	12.93				
SEAQ Bargains (5 pm)	31,533	34,432	33,061	29,106	29,790	—				
Equity Turnover (£m)	—	—	933.01	1320.40	1066.32	587.02				
Equity Bargains	—	—	31,443	35,030	36,996	23,292				
Shares Traded (ml)	—	—	—	—	314.7	254.6				

S.E. ACTIVITY

Indices	Sep. 4	Sep. 3
Gilt Edged Bargains	—	103.7
Equity Bargains	—	203.7
Equity Value	—	1885.8
5-Day Average		
Gilt Edged Bargains	—	108.0
Equity Bargains	—	222.6
Equity Value	—	2142.1

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1780.3	1776.9	1778.8	1780.5	1780.4	1779.2	1780.3	1781.8

Day's High 1788.5 Day's Low 1776.3. Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, *Nil=14.99.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

With the exception of Bass, up 20 further at 974p, on investment demand, Breweries were rarely altered.

The volume of business in the Building sector was low, nevertheless a couple of interesting movements did emerge in the shape of Blue Circle and George Wimpey; the former, which revealed an impressive set of interim results plus a confident statement last Friday, eased 9 to 473p as some 2m shares were placed around the 472p level. George Wimpey contrasted with a gain of 13 at 261p reflecting buying ahead of tomorrow's interim results; market estimates for pre-tax profits range from around £14¾m to as high as £18m. Elsewhere, Persimmon rose to 560p, after 569p, in reply to news of more-than-doubled half-year profits and a proposed three-for-one scrip issue, while Polypipe, half-timer due on September 17, firmed 8 to 403p.

Among Chemicals, Coates Brothers, in which Markheath Securities recently increased its holding to 15.6 per cent, firmed 6 more to 404p. William Canning gained 17 to 292p in response to excellent interim results.

A substantial turnover (4m) was recorded in Burton Group whose shares added a further 9 to 305p in the wake of a buy circular from, Wood Mackenzie. Other retailers to enjoy buy recommendations were Ratners, 2 up at 369p, Dixons, 5 higher at 369p and Next, which moved up 12 to 355p. A. Goldberg added 8 to 199p on news that Charterhall has increased its stake to 9.02 per cent. Delaney Group, responding to the good results, gained 6 to 145p.

A quiet electricals sector showed British Telecom a 4 firmer at 273½p on a turnover of 3.7m shares, ahead of tomorrow's first quarter results and the agm.

Engineers recorded several noteworthy movements. Linread, reflecting satisfactory half-year results, moved up 7 to 165p, but the interim statement from Blacwood Hodge which contained a warning on earnings for the full year prompted a reaction of 4 to 74p in the share price. Press Tools, in which Mr Greg Hutchings of F.H. Tomkins recently acquired a sizeable stake, rose 20 to 535p. Press mention left Chemring 10 to the good at 805p. IMI, scheduled to reveal interim results today, firmed 5 to 272p, while APV Baker, half-year statement due next week, were supported and put on 16 to 779p.

Last week's resurgence of interest in Food Manufacturers petered out and the leaders did little more than mark time. Rowntree, interim due on Thursday, were a shade dearer at 578p, but Unigate, having risen quite steeply in the latter part of last week on revived takeover speculation, eased 3 to 381p. Among Retailers, ASDA-MFI softened to 197½p ahead of tomorrow's AGM and awaiting the outcome of the tenders for the MFI business; a combination of Hygena and the MFI management remain favourites to take control of MFI.

A generally favourable weekend Press response to the Hilton Hotels acquisition prompted support for Ladbroke which moved steadily higher to close 3 higher on the day at 454p. Friendly Hotels firmed 4 to 285p following the good half-year figures.

Leading miscellaneous industrials ended the day with little alteration after yet another slow trading session.

Renewed demand ahead of Thursday's half-year figures left Associated British Ports 16 to the good at 608p. Oother companies to attract interest ahead of trading statements included Expamet, 6 higher at 250p, Turner and Newall, 4 better at 265p, and Bowater 6 firmer at 551p. Black Arrow advanced afresh to 438p awaiting the proposed share sub-division and two-for-five scrip issue. Abeycrest, reflecting the good half-year figures, rose 12 to 180p. Bid hopes left Dominion International 11 firmer at 117p, while speculative interest revived in Jacksons Bourne End which advanced 45 to 76p. Appledore, in contrast, reacted 25 to 385p on further consideration of the Highland participants bid, while Reed International, a good market last week on expansion hopes, ran back 9 to 454p. Norcros closed a shade better at 404p after news of the deal to acquire Triton for £27.5m. Triton manufacturers showers and allied products.

More O'Ferrall responded to satisfactory interim figures with a gain of 4 at 260p, but trading news failed to help A and C Black which reacted 10 to 535p. Bid hopes stimulated demand for Ferguson Industrial which closed 16 to the good at 337p. Olives Paper Mill fell to 203p awaiting further developments in th Melton Medes situation.

Leading Properties continued to benefit from the current buoyancy in the City of London office market and, to a lesser extent, persisting bid speculation. Land Securities were a particularly good market, rising 18 more to 578p; it was announced yesterday at Mr Peter J. Hunt has been appointed chairman following the death last week of Lord Samuel. MEPC firmed 17 more to 556p amid takeover rumours although market makers feel that any developments on this front could still be some way off. Hammerson A, a rising market recently on talk that a major stake in the company could change hands, found fresh support and put on 15 to 675, while Greycoat put on 16 to 423p in a restricted market. Speyhawk gained 15 to 520p following Press comment.

Comment on the strong demand for wool prompted occasional interest in Allied Textiles, 4 better at 376p, and Dawson, a few pence firmer at 327p.

Among Tobaccos, Press mention stimulated fresh demand for Rothmans which closed 11½ to the good at 399p.

A sharp decline in crude oil prices and the absence of any US interest—Wall Street was closed yesterday—proved a major depressant to the oil share market which fell away for most of the day before steadying late.

October Brent crude prices retreated to show a 50 cents a barrel decline at one point before picking up marginally to close some 45 cents down on the day, reflecting nervousness over the meetings of OPEC's quota and pricing committees on Wednesday.

Selling of oils was never more than light but was evident throughout the day. BP, on a turnover of only 3.9m shares, ended with a 3 decline at 368p and British Gas, where turnover contracted to 3.3m, slipped 2½ to 170½p. But Burmah were a firm market, adding 8 to 593p in front of the interim figures due on Thursday. Ultramar also attracted a fair amount of support and raced up 9 to 290p, after 292p, with turnover approaching 5m shares after a recent "buy" circular from securities house Wood Mackenzie.

Sime Darby firmed 3 to 93p in reply to the good annual results.

Traded Options

Business in traded options was much reduced—15,717 calls and 10,253 puts gving a total of 25,970 contracts. Apart from the 2,730 contracts in Midland, where Hanson Trust revealed a 5.8 per cent stake, Rolls-Royce attracted 2,633 calls and 1,662 puts. British Telecom, with first quarter results and the agm scheduled for Wednesday, showed 1,292 calls and 1,195. puts. Recent major acquisitions and the prospects of more buys in the pipeline triggered an upturn in options business in GEV where cils totalling 2,275 contracts were featured by 1,200 contravtc in the April 220 series. GEV puts were 301 contracts.

Traditional Options

- First dealings Sept 1
- Last dealings Sept 18
- Last declaration Dec 3
- For Settlement Dec 14

For rate indications see end of London Share Service

Call options were taken out in Thomas Borthwick, Holmes Protection, Polly Peck, Moorgate Mercantile, Control Securities, Ennex, RAA, Brent Walker, Central and Sheerwood, Merlin International Properties, Inoco, Plessey, Astra Holdings, Helene of London, Belhaven, Charterhall, Tozer Kemsley and Otter Exploration. Puts were arranged in Bennett and Fountain, Thomas Borthwick, Racal and Andre de Brett, but no double options were reported.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing price	Day's change
ASDA-MFI	2,600	197½	−0½
Allied Lyons	1,600	421	+2
Amstrad	1,100	178	+2
Argyll Group	1,300	427	—
Assoc. Brit. Foods	654	363	−3
BAT	449	664	+2
BET	524	271	+1
BICC	280	406	—
BOC	142	537	−1
BPB Inds	631	394	+1
BPCC	775	388	−2
BTR	2,000	354	+6
Barclays	1,900	554	+4
Bass	493	974	+20
Beecham	516	531½	+0½
Blue Circle	3,900	473	−9
Boots	616	311	—
Brit. Airways	5,100	196	+6
Brit. Aero	1,200	505	+3
Brit. & Comm.	386	490	+2
[illegible]	[illegible]	[illegible]	[illegible]

NEW HIGHS AND LOWS FOR 1987

NEW HIGHS (81)

AMERICANS (2), CANADIANS (1), BANKS (3), BUILDINGS (3), CHEMICALS (3), STORES (6), ELECTRICALS (7), ENGINEERING (6), FOODS (2), HOTELS (2), INDUSTRIALS (19), INSURANCE (2), LEISURE (1), MOTORS (4), PAPERS (2), PROPERTY (1), TRUSTS (11), OVERSEAS TRADERS (1), MINES (4), THIRD MARKET (1).

NEW LOWS (9)

AMERICANS (4), Chemical New York, Houston Inds, Pennzoil, Sun Co, BANKS (1), Business Mort Trust, ELECTRICALS (1), Mitel, ENGINEERING (1), Airship Inds, TRUSTS (2), Liberty All-Star, Biotechnology Invs.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	52	21	36
Corporations, Dominion and Foreign Bonds	15	4	13
Industrials	429	445	709
Financial and Properties	119	155	335
Oils	18	46	51
Plantations	4	—	4
Mines	51	39	100
Others	42	130	57
Totals	730	841	1,337

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Monday September 07 1987

[illegible]

FIXED INTEREST

[illegible]

LONDON TRADED OPTIONS

[illegible]

September 7. Total Contracts 25,970. Calls 15,717. Puts 10,253. FT-SE Index Calls 160. Puts 807. *Underlying security price.

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

WORLD STOCK MARKETS

AUSTRIA

Sep. 7	Price Sch%	+ or −
Creditanstalt	2130	+10
Goesser	3290	+100
Interunfall	12,310	+10
Jungbunzlauer	8510	−70
Laenderbank	1906	.....
Perlmooser	725	.....
Steyr-Daimler	121	−2
Veitscher Mag	801	−1

BELGIUM/LUXEMBOURG

Sep. 7	Price Frs.	+ or −
B.B.L.	3335	+5
Banque Gen. Du L.	14875	.....
Bank Int. A	14900	.....
Bekaert B	12050	.....
Ciment CBR	6330	+40
Cockerill	177	−6
Colruyt	11500	−375
Delhaize	4700	.....
EBES	5000	−50
Fabrique Nat	1480	−18
GB Inno BM	1340	−30
GBL (Brux) L	4295	−25
Generale Bank	6460	−20
Gevaert	8300	.....
Hoboken	8440	−50
Intercom	3980	−110
Kredietbank	4570	−70
Pan Holdings	13400	.....
Petrofina	13725	−225
[illegible]	[illegible]	[illegible]

DENMARK

Sep. 7	Price Kr %	+ or −
[illegible]	[illegible]	[illegible]

FINLAND

Sep. 7	Price Mks	+ or −
[illegible]	[illegible]	[illegible]

FRANCE

Sep. 7	Price Frs.	+ or −
[illegible]	[illegible]	[illegible]

GERMANY

Sep. 7	Price Dm.	+ or −
AEG	[illegible]	[illegible]
Allianz Vers	[illegible]	[illegible]
BASF	[illegible]	[illegible]
Bayer	[illegible]	[illegible]
Bayer-Hypo	[illegible]	[illegible]
Bayer-Verein	[illegible]	[illegible]
BHF-Bank	[illegible]	[illegible]
BMW	[illegible]	[illegible]
Brown Boveri	[illegible]	[illegible]
Commerzbank	[illegible]	[illegible]
Cont'l Gummi	[illegible]	[illegible]
Daimler-Benz	[illegible]	[illegible]
Degussa	[illegible]	[illegible]
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Henkel	[illegible]	[illegible]
Hochtief	[illegible]	[illegible]
Hoechst	[illegible]	[illegible]
Hoesch Werke	[illegible]	[illegible]
Holzmann (P)	[illegible]	[illegible]
Horten	[illegible]	[illegible]
Hussel	[illegible]	[illegible]
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KHD	[illegible]	[illegible]
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Linde	[illegible]	[illegible]
Lufthansa	[illegible]	[illegible]
MAN	[illegible]	[illegible]
Mannesmann	[illegible]	[illegible]
Mercedes Hld.	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]

ITALY

Sep. 7	Price Lire	+ or −
[illegible]	[illegible]	[illegible]

NETHERLANDS

Sep. 7	Price Fls.	+ or −
[illegible]	[illegible]	[illegible]

NORWAY

Sep. 7	Price Kroner	+ or −
[illegible]	[illegible]	[illegible]

SPAIN

Sep. 7	Price Pts. %	+ or −
[illegible]	[illegible]	[illegible]

SWEDEN

Sep. 7	Price Kronor	+ or −
[illegible]	[illegible]	[illegible]

SWITZERLAND

Sep. 7	Price Frs.	+ or −
[illegible]	[illegible]	[illegible]

AUSTRALIA

Sep. 7	Price Aust.$	+ or −
[illegible]	[illegible]	[illegible]

AUSTRALIA (Continued)

Sep. 7	Price Aust.$	+ or −
[illegible]	[illegible]	[illegible]

HONG KONG

Sep. 7	Price H.K.$	+ or −
[illegible]	[illegible]	[illegible]

JAPAN

Sep. 7	Price Yen	+ or −
[illegible]	[illegible]	[illegible]

JAPAN (Continued)

Sep. 7	Price Yen	+ or −
[illegible]	[illegible]	[illegible]

SINGAPORE

Sep. 7	Price $	+ or −
[illegible]	[illegible]	[illegible]

SOUTH AFRICA

Sep. 7	Price Rand	+ or −
[illegible]	[illegible]	[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

Indices

NEW YORK — DOW JONES

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STANDARD AND POORS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

N.Y.S.E. ALL COMMON

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TORONTO

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Sep. 7	Sep. 4	Sep. 3	Sep. 2	1987 High	1987 Low
AUSTRALIA	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
AUSTRIA	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BELGIUM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DENMARK	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FINLAND	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FRANCE	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GERMANY	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
HONG KONG	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ITALY	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
JAPAN**	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NETHERLANDS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NORWAY	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SINGAPORE	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SOUTH AFRICA	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SPAIN	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SWEDEN	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SWITZERLAND	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
WORLD	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TOKYO – Most Active Stocks
Monday, September 7, 1987

	Stocks Traded	Closing Prices	Change on Day
Kawasaki Steel	16.97m	283	− 9
Nippon Steel	16.98m	338	− 8
Nichirei	13.89m	1,840	+ 48
Nisshin Steel	9.45m	598	− 15
Oki Electric	9.35m	748	+ 8
Nippon Sheet Glass	7.22m	985	unch
Nippon Kokan	7.15m	387	− 7
Mitsubishi Heavy Inds	5.74m	598	− 2
Nissan Motor	4.73m	736	− 7
Yodokawa Steel Wks	4.67m	1,330	− 50

LONDON – Most Active Stocks
Monday, September 7, 1987

	Stocks Traded	Closing Price	Change on Day
Rolls Royce	18.8m	114	unch
Cble & Wire	6.6m	444½	+ 8½
Ultramar	4.7m	290	+ 9
Midland Bk	4.3m	565	+ 5
Bl. Circle	3.9m	473	− 9
BP	3.9m	368	− 3
Burton	3.9m	305	+ 9
Brit Telecom	3.7m	273½	+ 4
Gen Elect	3.7m	217	+ 4
Pearson	3.6m	791	+ 8

LONDON Chief price changes (in pence unless otherwise indicated)

RISES:

APV Bak.	779	+16
Abbeycr.	180	+12
Bl. Arrow	438	+41
Bram (C.D.)	490	+15
Brton Gr.	305	+ 9
Canning (W.)	292	+17
Ferguson Ind.	337	+16
Kenn. Brookes	425	+16
Ladbroke	454	+13
Land Secs	578	+18
Linread	165	+ 7
MEPC	556	+17
Persimmon	560	+ 9
Press Tls	535	+20
Ultramar	290	+ 9
Wimpey	261	+12½

FALLS:

Bl. Circ. Inds	473	− 9
Olvs Ppr Mill	203	− 7

FINANCIAL TIMES

WORLD STOCK MARKETS

Hilary Barnes assesses the likely impact of today's election

Copenhagen awaits voters' go-ahead

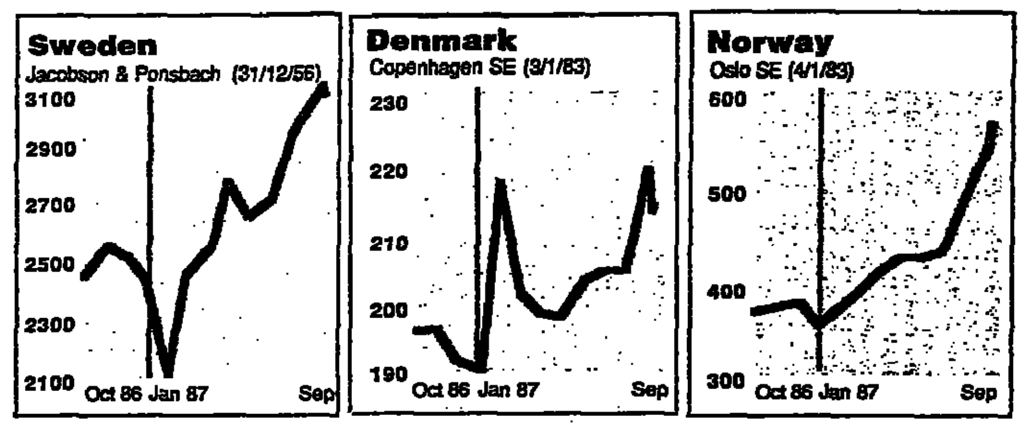
THE DANISH equity market may jump for joy if today's election to the Folketing (Parliament) enables Prime Minister Poul Schluter's non-socialist coalition to remain in office for a new four-year term. But most analysts are cautious about predicting a persistent rise in share prices.

The imbalances in the Danish economy, especially the large deficit on the external current account and continuing high unemployment, are too big to be righted quickly.

Economic realities such as these, as Mr Rolf Nordstrand of the state ATP pension fund told an investor conference last week, do not support a lasting recovery in prices.

While Mr Schluter's chances are regarded as good, there is a widely held view that the market would fall heavily if the election resulted in a socialist victory.

Share prices doubled in 1983 following the formation of the non-socialist coalition. This brought new life to the market and a spate of new issues, culminating in 1986 when new issues totalled DKr8bn ($1.2bn).



Scandinavian share performance

The share price index stagnated from the end of 1983 until the end of 1985 before rising in the spring of last year. But by the end of 1986 the index was down by 19 per cent, which made Copenhagen stick out like a sore thumb in a world of rising markets.

This year began slowly. New issues in the first half were limited to DKr1.2bn. But the market recovered in August with Mr Schluter's surprise announcement of the election. The index picked up 7 per cent, reaching a new high for the year of 219 before settling back as election day approached. Yesterday it closed virtually steady at 214.26.

The failure of Denmark to follow other equity markets over the past three years has made Danish shares relatively cheap.

"The prospect of political stability under a non-socialist government may therefore attract serious attention from international investors," said Jyske Bank's monthly bulletin. SDS, the big Danish savings bank, advised clients that the time to buy was when things were looking blackest.

Recent results from major industrial companies have been mixed, with many blaming the strength of the krone against the dollar for poor results.

Half-year earnings for Novo, the pharmaceuticals group, and Dansk Sukkerfabrikker both disappointed, but Bang & Olufsen, the television and audio equipment manufacturer, improving earnings by 50 per cent and ISS, the international cleaning and security group, was also well ahead.

Insurance companies are traditionally among the best performers on the Copenhagen stock exchange and the insurance index so far this year is up by 33 per cent.

The commercial banks reported satisfactory increases in operating profits in the first half, but their final results are a hostage to the performance of the bond market, as unrealised gains and losses on securities portfolios are entered fully into the profit and loss account in the year in which they occur.

There is no doubt that the worried frown on the face of many bankers will be replaced with a smile if Mr Schluter is returned with a secure majority. Although bond prices may not rise very much, a victory for the coalition should ensure that they do not fall.

W Virginia adopts a rosy view of large federal bond sell-off

CHARLESTON, West Virginia, is home for a state treasurer whose "legs hurt except when I dance."

At 60, Mr A. James Manchin – who says his name "sounds like a big house" – got the big houses of Wall Street in a flap last week by deciding to call time on more than a tenth of his state's federal bond holdings.

The day before the Federal Reserve unleashed a round of interest rate rises on Friday, rumours were reaching Europe that a US state government had overnight unloaded hundreds of millions of dollars worth of federal coupon issues.

Prices were already wilting under a dismal dollar and selling pressure from Japanese and European institutions, and the gloom was given succour by the whispered arrival of the West Virginians, raising fears that regional authorities across the US might begin some heavy pruning of their portfolios.

Mr Manchin felt more inclined last week to share his thoughts on what a great time it was for roses. Cajoled into confirming the activity, he said $253m in two-, five- and 10-year bonds, on his state books for an average of a year or two, were sold in the market by the finance team in his 88-strong office once they decided rates had nowhere to go but higher.

"They get up early in the mornings, and they are ready to go. Did we move the market?" he asked.

Wall Street was closed yesterday for the Labor Day holiday. Canadian markets were also closed.

Traders had heard the number as closer to $1bn but, in the wry observation of Mr Bill Griggs at Griggs and Santow, one of its closest watchers, "this market has been known to exaggerate."

The lower amount, still an unusually large chunk from one investing body, came at a time when dealers were in no mood to take substantial blocks onto their books, he added. "It wasn't so much the size as the selling by a retail source into a market that doesn't want it."

In their oftentimes malicious way, market voices were suggesting that West Virginia might have some need of its own to raise cash.

The Charleston people responded indignantly that its economy was on an improving trend and outstanding debt was down by about a third over the last six years to some $620m. The state has an overall investment portfolio of $4bn or more, of which around 60 per cent was in federal bonds. This is now down to half or less, where Mr Manchin says he is happy to leave things.

He is usually happy. "I've held state office for more than 10 years, I'm a public servant and I appreciate serving the people." He made the move because "we felt that the climate was right, that we were going to make some money for the people of West Virginia. That's the responsibility of my office and of A. James Manchin."

As for the outcome: "We made some money. We don't exactly have the figures, but we think we are alright."

Gordon Cramb

ASIA

Nikkei falls as buyers pull out

TOKYO

OVER-RIDING CONCERN over interest and exchange rates kept investors sidelined in Tokyo yesterday and the limited buying interest dragged down equities almost across the board, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei stock average tumbled 351.26 points from Saturday to close at 25,004.09. Volume shrank steeply from last Friday's 863.45m to 379.42m shares. Declines outnumbered advances by 730 to 162, with 128 issues unchanged.

The market was depressed by a 0.5 point rise in the US official discount rate at the end of last week and by the losses of some Y20bn in bond investments incurred by Tateho Chemical Industries Co., a medium-sized chemical company based in Osaka.

The key interest rise sparked concern over the possibility of higher Japanese interest rates, while Tateho's investment failure was seen as heralding a decline in securities investment by Japanese business corporations.

Reflecting the anxieties, trading in giant-capital stocks for quick profit became extremely thin. The most active stock was Kawasaki Steel but the volume was only 16.97m shares and it eased Y9 to Y283. Nippon Steel, second busiest with 16.96m shares traded, shed Y8 to Y330, Nippon Kokan lost Y7 to Y307 and Mitsubishi Heavy Industries slipped Y2 to Y598.

Power and gas utilities declined steeply: Tokyo Electric Power slid Y200 to Y6,290, Kansai Electric Power dropped Y20 to Y3,080 and Tokyo Gas was Y20 lower at Y1,020.

Some biotechnology-related issues rallied. Kureha Chemical Industry improved Y30 to Y1,380 after a sharp fall on Saturday following reports that a government advisory panel decided to re-examine the effects of its anti-cancer drug. Sankyo rebounded Y20 to Y1,790 but Yamanouchi Pharmaceutical dropped Y20 to Y4,320.

Nichirei Corp., third busiest with 13.09m shares, climbed Y40 to Y1,040 on speculative buying.

Major high-technology issues ended on a firm note on expectations of a rapid recovery in earnings for the year to March 1988. Matsushita Electric Industrial was the exception, losing Y30 to Y2,370. Sony gained Y30 to Y4,970, while NEC Corp and Fujitsu were unchanged at Y1,930 and Y1,250, respectively.

Tateho's investment failure prompted heavy selling of a few other companies which are active in *zaiteku* money management. Gun-Ei Chemical Industry and Asahi Kogyosha slipped a maximum Y100 each to Y859 and Y875 respectively, although both firms flatly denied rumours of investment failure.

Bonds were little changed as investors and dealers retreated to the sidelines awaiting the announcement of a short-term Bank of Japan report on the economy due today and US July trade figures to be released Friday.

The yield on the benchmark 5.1 per cent government bond maturing in June 1996 rose from Saturday's 5.430 per cent finish to 5.480 per cent on late small-lot selling. At one stage it fell to 5.215 per cent on short-covering by some dealers.

On the Osaka Securities Exchange (OSE) prices plunged in slow trading, with the 250-issue OSE stock average suffering its seventh largest single-day loss of 425.67 points to 25,722. Turnover totalled 37.46m shares, the lowest for this year.

Ono pharmaceutical slumped Y350 to Y7,300, Sumitomo Forestry lost Y60 to Y1,890 and Murata mfg was down Y50 at Y3,070. Toyo Denki Seizo bucked the trend and rallied Y50 to Y1,100.

AUSTRALIA

A SOLID advance in banking stocks lifted share prices in Sydney to a third successive record. The All Ordinaries gained 15.6 to 2,210.5 despite Friday's decline on Wall Street and lower prices in Tokyo.

Banks rose on news that David Jones has acquired 9.8 per cent of National Australia Bank and is seeking approval to raise its stake to 15 per cent.

National Australia rose 18 cents to A$5.88 and David Jones gained 30 cents to A$12.

In minings, diamond producer Ashton Mining gained 30 cents to A$3.80 on news of a diamond price increase by De Beers.

SINGAPORE

INVESTORS adopted a cautious approach to new settlement and delivery rules in Singapore and the market moved higher on bargain-hunting in very thin trading.

The Straits Times industrial index was up 16.87 at 1,429.95 and volume amounted to just 17.6m shares compared to 35.6m on Friday.

A few Singapore and Malaysian blue chips gained, including Sime Darby, up 10 cents at S$3.48 on 854,000 shares following improved profits for the year. DBS rose 30 cents to S$16.50

HONG KONG

A TECHNICAL correction after last week's sharp rally sent share prices lower over a broad front in decreased trade. The Hang Seng index lost 8.15 to 3,646.33.

Profit-taking took prices sharply lower in the morning but prices rebounded later in the day.

Among properties, Cheung Kong lost 20 cents to HK$12.90, Hong Kong Land dropped 5 cents to HK$8.10 and Sun Hung Kai Properties fell 30 cents to HK$18.60.

In banks, Hang Seng Bank lost 25 cents to HK$47.50, Bank of East Asia fell 25 cents to HK$31.75 and Hong Kong Shanghai Bank was unchanged at HK$10.90.

Elsewhere, Hutchison Whampoa lost 10 cents to HK$14.10, China Light lost 30 cents to HK$26.70, Swire Pacific dropped 10 cents to HK$25.40 and Cathay Pacific lost 5 cents to HK$8.25.

SOUTH AFRICA

THE STEADY bullion price and the higher financial rand kept gold shares narrowly mixed in Johannesburg as demand remained flat.

Randfontein added R1 to R435, Beatrix rose 50 cents to R27 while Vaal Reefs dropped R4 to R478.

A few issues advanced more sharply, including Elsburg up R1.95 at R14.75 and Western Areas which gained R2.85 to R23.

Mining financials were easier. Anglos shed 50 cents to R91.50 and Gold Fields was down R1 at R94.

EUROPE

Milan and Oslo sidestep interest rate fears

THE WEAKNESS of the dollar and the rise in the US discount rate depressed major European bourses yesterday. Foreign buyers generally kept away except in Milan where they picked up low-priced issues after last week's declines.

Frankfurt fell back as overseas investors continued to sell off and the fluctuating dollar held domestic traders in check. The Commerzbank index lost 37.7 to 1,923.5 in thin, nervous trading.

Chemicals were hardest hit by foreign profit-taking. BASF fell DM5.80 to DM330.50, Bayer lost DM7.20 to DM342.80m and Hoechst was down DM5.70 at DM317.

Cars and electricals were broadly lower and banks suffered in the weaker market.

Bonds were hit by the rise in the US discount rate and closed sharply lower. The Bundesbank bought DM 76.2m worth of paper, after buying DM86m on Friday, in its daily market-balancing operation.

Amsterdam declined in reaction to the weak dollar and Wall Street's slide on Friday. The ANP-CBS index lost 6.7 to 302.5 in thin trades.

Internationals were down with Royal Dutch off Fl 4.80 at Fl 259.20, KLM 10 cents lower at Fl 50.90 and Philips Fl 1 lower at Fl 50.90.

General retailer Ahold was suspended at Fl 99.20, down Fl 1.80, before announcing lower net profits for the first half.

Zurich ended weaker in reaction to the US rate rise. Domestic buying subsided and the industrial sector came under strong selling pressure.

The Crédit Suisse index fell 7.8 from Friday's record to end at 596.6.

Financials, foods and chemicals posted marginal declines.

Paris moved lower as profit-taking set in and investors became discouraged by a weak performance on the financial futures market. The CAC index lost 4.2 to 431.7 in moderate volume, although foreign buyers were thin on the ground.

In blue chips, Peugeot slipped FFr39 to FFr1,625 after good gains last week. Lafarge Coppée fell FFr29 to FFr1,710 and Thomson-CSF lost FFr20 to FFr1,348.

Constructions and consumer goods were broadly lower.

Brussels moved lower in quiet trading as investors retreated amid growing concern that domestic interest rates could rise.

The Brussels stock index lost 38.97 to 5,256.8 with losses in most sectors.

Oslo shot to its sixth successive peak on news of plans to allow foreigners to hold more Norwegian shares. The all-share index rose 6.21 to 416.23 in hectic trading.

Industrials registered the largest gains, led by Hafslund, which added NKr29 to NKr677.50, and Orkla Borregaard which rose NKr37.50 to NKr620.

An NKr10 gain by Storebrand to NKr440 pushed up insurers while banks were modestly higher.

Stockholm was lower as buying interest tailed off amid worries about higher interest rates. The J & P index shed 21.7 to 3,081.2.

Banks posted some gains with Handelsbanken up SKr2 to SKr133 and SE-Banken SKr3 higher at SKr153. However, other sectors were generally lower.

Milan was led higher by foreign buying in Fiat which spilled over into the remainder of the market. The Milan market index added 6 to close at 848 in moderate trade.

Fiat rose L310 to L10,645 but eased to L10,540 in after-hours business as the rally petered out.

Insurers were broadly stronger. Generali added L1,600 to L124,700 and Ras moved up L1,000 to L56,000.

Madrid posted good gains with the general index rising 6.39 to 311.65 helped by a strong advance in construction issues.

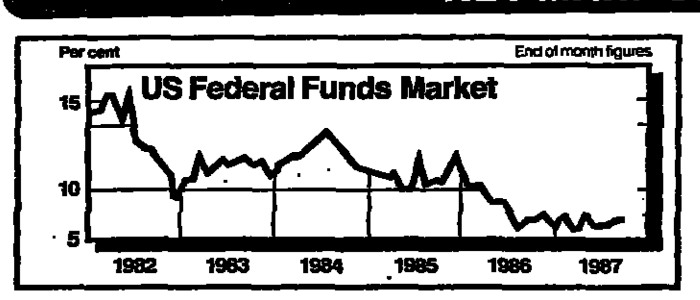
Chemicals also gained ground and utilities were narrowly higher.

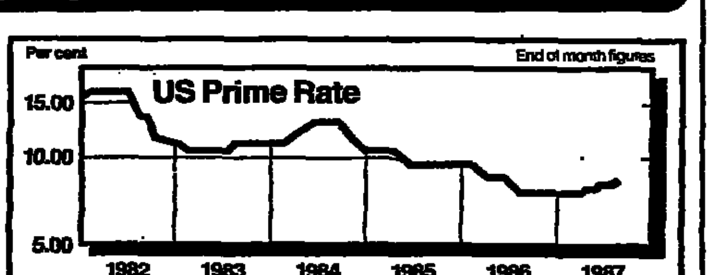
LONDON

THE UK securities markets were lifted by selective buying in situation stocks, notably Midland Bank. Otherwise, volume was thin, dampened by a fall in Tokyo and the US Labor Day holiday.

After a cautious start, the FT-SE ended 8.7 higher at 2,283.6 with most of the gain in the last hour of trading. The FT Ordinary index rose 6.4 to 1,788.5. Gilts edged upwards on sterling's firmness. Details, Page 38

KEY MARKET MONITORS





STOCK MARKET INDICES

	Sept 7	Prev	Year ago
NEW YORK			
DJ Industrials	(c)	2,561.38	1,899.75
DJ Transport	(c)	1,023.45	775.50
DJ Utilities	(c)	201.52	213.71
S&P Comp.	(c)	316.70	250.47
LONDON FT			
Ord	1,788.5	1,782.1	1,338.4
SE 100	2,283.6	2,274.9	97.61
A All-share	1,164.82	1,161.14	822.98
A 500	1,282.28	1,278.19	904.11
Gold mines	467.4	451.2	308.11
A Long gilt	9.86	9.90	9.59
World Act. Ind (Sept 3)	137.53	138.30	101.34
TOKYO			
Nikkei	25,004.09	25,744.03	18,775.1
Tokyo SE	2,057.61	2,121.19	1,542.00
AUSTRALIA			
All Ord.	2,210.5	2,194.9	1,238.5
Metals & Mins.	1,398.9	1,391.2	590.0
AUSTRIA			
Credit Aktien	n/a	214.95	240.93
BELGIAN SE			
SE	5,256.80	5,295.70	3,989.59
CANADA			
Toronto			
Met.& Mins.	(c)	3,092.5	2,198.93
Composite	(c)	3,895.4	3,107.50
Montreal			
Portfolio	(c)	1,948.07	1,559.62
DENMARK SE			
SE	n/a	214.16	193.39
FRANCE			
CAC Gen	431.70	435.9	411.4
Ind. Tendance	111.60	113.20	97.61
WEST GERMANY			
FAZ-Aktien	624.90	637.68	701.56
Commerzbank	1,923.50	1,916.20	2,114.8
HONG KONG Hang Seng	3,646.33	3,654.48	1,968.53
ITALY Banca Comm.	613.33	607.72	791.50
NETHERLANDS ANP CBS			
Gen	302.50	309.20	301.0
Ind	256.10	258.90	301.0
NORWAY Oslo SE	565.54	554.85	381.80
SINGAPORE Straits Times	1,429.90	1,413.08	844.89
SOUTH AFRICA JSE			
Golds	2,400.0	2,389.0	1,839.0
Industrials	2,221.0	2,219.0	1,367.0
SPAIN Madrid SE	311.65	305.26	204.16
SWEDEN J & P	3,081.20	3,102.90	2,427.31
SWITZERLAND Swiss Bank Ind	691.20	n/a	577.4

COMMODITIES (London)

	Sept 7	Prev
Silver (spot fixing)	463.10p	464p
Copper (cash)	£1,055.00	£1,045.00
Coffee (Sept)	£1,307.00	£1,304.00
Oil (Brent Blend)	—	$18.175

GOLD ($/oz)

	Sept 7	Prev
London	$463.75	$465.25
Zürich	$463.85	$463.25
Paris (fixing)	$463.51	$464.21
Luxembourg	$463.25	$463.55
New York (Dec)	$470.80	$466.42

CURRENCIES (London)

	US DOLLAR Sept 7	US DOLLAR Previous	STERLING Sept 7	STERLING Previous
$	–	–	1.6600	1.6540
DM	1.7920	1.7950	2.975	2.9725
Yen	141.75	141.70	235.25	234.5
FFr	5.9950	6.0075	9.9525	9.9375
SFr	1.4850	1.4870	2.465	2.46
Fl	2.0180	2.0210	3.35	3.3425
Lira	1,298	1,301	2,154.75	2,152
BFr	37.25	37.35	61.85	61.80
C$	1.3115	1.3150	2.1785	2.1725

INTEREST RATES

	Sept 7	Prev
Euro-currencies (3-month offered rate)		
£	10 1/8	10 3/16
SFr	3 5/8	3 1/2
DM	3 11/16	3 7/8
FFr	8 1/16	8
FT London Interbank fixing (offered rate)		
3-month US$	7 9/16	7 9/16
6-month US$	8	7 15/16
US Fed Funds	6 3/4*	6 5/8
US 3-month CDs	7.00*	7.225
US 3-month T-bills	6.365*	6.55

FINANCIAL FUTURES

CHICAGO				
US Treasury Bonds (CBT) 8% 32nds of 100%				
Sept 7	Latest	High	Low	Prev
(Sept)	84-29	85-24	84-18	85-03
US Treasury Bills (IMM) $1m points of 100%				
(Sept)	93.55	93.75	93.52	93.72
Certificates of Deposit (IMM) $1m points of 100%				
(Sept)	n/a	n/a	n/a	n/a
LONDON				
Three-month Eurodollar $1m points of 100%				
(Sept)	92.42	92.46	92.41	92.51
20-year Notional Gilt £50,000 32nds of 100%				
(Sept)	115-04	115-04	114-28	114-30

US BONDS

Treasury

	September 7 Price	September 7 Yield	Prev Price	Prev Yield
7 1/8 1989	(c)	(c)	99 10/32	8.13
7 1994	(c)	(c)	94 22/32	9.053
8 1/2 1997	(c)	(c)	95 7/32	9.252
8 3/4 2017	(c)	(c)	94 10/32	9.428

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	September 7 Return index	Day's change	Yield	Day's change
1–30	163.17	+0.23	6.93	–0.03
1–10	154.83	+0.12	6.86	–0.03
1– 3	144.03	+0.07	6.37	–0.03
3– 5	157.57	+0.17	6.71	–0.03
15–30	193.58	+0.59	7.78	–0.03

Source: Merrill Lynch

Corporate

	September 7 Price	September 7 Yield	Prev Price	Prev Yield
AT&T 3 7/8 July 1990	(c)	(c)	93.125	8.60
SCBT South Central 10 1/4 Jan 1993	(c)	(c)	101.875	10.41
Phibro Sal 8 April 1996	(c)	(c)	88.11	10.10
TRW 8 7/8 March 1996	(c)	(c)	92.96	10.00
Arco 9 7/8 March 2016	(c)	(c)	96.95	10.25
General Motors 8 1/8 April 2016	(c)	(c)	80.44	10.25
Citicorp 9 3/8 March 2016	(c)	(c)	87.07	10.85

Source: Salomon Brothers

* Latest available figures